

Getting to Now: Entrepreneurial Business Model Design and Development

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Abstract

The purpose of this thesis is to uncover and examine the processes that start-up entrepreneurs go through while designing and then developing their business models. This is done with the intent of deciphering the kind of development that might ultimately lead to a unique or innovative business model. This study uses primary qualitative data generated from interviews with founding entrepreneurs and managers who still participate in running the organization. Each of these organizations participates in the men's retail market. The research design and methodology of this research uses a grounded-theory coding procedure to analyze the data. Three questions guide this research forward and the findings are threefold. First, for these organizations two business model design paths were followed, herein referred to as the path to 'Alleviate Pain' and as the path to 'Adopt and Modify.' Second, entrepreneurial leaders tended to act as arbiters when developing their business models, mediating between the set of information accrued during operations and three identified factors. Thirdly, new research into whether or not business model innovations are the result of ex-ante insights or ex-post operational learning is presented. And the findings tend to indicate that both ex-ante insights and ex-post learning are important, but their importance is temporally induced. Lastly, a brief discussion is carried out on how this research informs the entrepreneurial business model creation process (see entrepreneurial practicum) and how it adds to the current literature on business models and business model innovation.

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Also, none of this could have been accomplished without the continued support from my parents. So I dedicate this thesis to them. To my Dad who showed me that failing is only temporary and failure only permanent if you don’t rise up and work harder than the day before. And to my Mom who showed me that a creative spark is paramount and that an unyielding assault of questioning will always prove to be an invaluable asset.

Chapter 1: Introduction

The following chapter presents the rationale for this study. That is it underscores the reasons for studying this particular subject and it outlines the goals for this study.

Seventy-four percent of global CEOs worry about an emergent business model disrupting their industries (KPMG, 2015). CEO's of some of the world most 'global and complex' organizations recognize that an innovative business model can fundamentally alter their industry's competitive dynamics, in turn displacing them at the helm. Over the past decade researchers and practitioners have coalesced around the business model concept. Together they have endorsed that the concept serves both practical and strategic purposes: it elegantly narrates the business' story and it acts as a powerful strategic tool (Magretta, 2010; Osterwalder 2010). With research demonstrating that some of today's most successful companies, Apple, Spotify, and Zara serving as a few examples, are business model innovations, there is little wonder why executives are worried about disruptive business models (Amit and Zott 2012; Girotra and Netessine, 2012; Wessel, 2011). These firms have displaced their competitors and have amassed burgeoning coffers in the process.

Business model research is at the confluence of strategy and entrepreneurship research (Demil et al., 2015). From an entrepreneurial perspective, the entrepreneur is the one recombining already existing elements into novel forms (Schumpeter, 1934). While as a strategic concept, business models help expose how practitioners can tap into new markets and opportunities by innovating on this system-level construct (Amit and Zott, 2001). Together in theory, entrepreneurs take already existing ideas and concepts and

reapply them into niche or innovative business models. This then allows entrepreneurs to create and hopefully capture value from serving new markets or opportunities. Therefore, the purpose of this thesis is to uncover and examine the processes that start-up entrepreneurs go through while designing and developing their business models. Otherwise put it is to understand how entrepreneurs got to now; what processes did they utilize or follow in getting to the business models that are on display today. This is done with the intent of deciphering the kind of development that might ultimately lead to a unique or innovative business model. As the research has shown, and the CEOs mandated, business model innovations are a real, powerful, and disrupting form of innovation.

Chapter 2: Background and Research Questions

The business model literature finds itself at the intersection of two distinct literature streams: entrepreneurship and strategy. The existing literature on the subject has its conceptual foundations emerging from both of these streams. Therefore, the background will briefly explore how the entrepreneurship and strategy literatures inform our understanding of business models and the development of this thesis more generally. Then as expected it will cover the research that has been produced on business models and business model innovations.

2.1: Entrepreneurship

A French word by origin, an entrepreneur is the undertaker, the one who literally ‘undertakes’ an action or ‘does something’ (Sobel, 2008). The entrepreneur is the person performing the action; he or she is doing something in the pursuit of something else (usually profit). Entrepreneurship as an action can be understood to be the discovery, evaluation, and exploitation of an opportunity (Shane and Venkataraman, 2000). The entrepreneur is the individual and entrepreneurship is the action that he or she performs.

To articulate this action, opportunity is unsurprisingly seen as central for the entrepreneur. He must be able to recognize a nascent opportunity, value its potential, and then execute a plan to capitalize on it. Shane and Venkataraman (2000) make the case for seeing this sequence as a set of two distinct phenomena. The first entails the entrepreneur being able to recognize and value an opportunity, which is contingent upon the entrepreneur having the prior information necessary to see that an opportunity exists. And second, it involves deciding on how to best exploit the present opportunity given the industrial and competitive context and the entrepreneur’s own perceptions and objectives. Important to understanding the entrepreneurial story, opportunity discovery and

exploitation remain highly idiosyncratic, otherwise stated; opportunities tend to be subjectively perceived, but objectively present (Shane and Venkataraman, 2000; Venkataraman, 1997).

From a complementary perspective, our scholastic hero Schumpeter defines entrepreneurship to be the act of creating value through the new combination of already existing elements (1934). This explanation of the subject is widely endorsed as a starting point in formulating our understanding of entrepreneurship (Bull and Willard, 1993; Deakins and Freel, 2012). However, it is important to nuance this definition in order to better understand it. That is because it could otherwise lead to the preclusion of a variety of other types of entrepreneurship, as they do not create value through a *unique* combination of elements. Therefore, entrepreneurship is a new combination of elements, but not necessarily the novel combination of elements.

Lastly, a chief reason for this section is to work towards situating this study into the domain of entrepreneurship research. Thus, it is important to document how the actual field of research is defined. In his seminal paper, Venkataraman (1997: 120) provides this crisply, saying that entrepreneurship research “seeks to understand how opportunities to bring into existence “future” goods and services are discovered, created, and exploited, by whom, and with what consequences.” In retrospective, each stream of the entrepreneurship literature seems to branch from this succinct interpretation.

In turn it becomes clearer, opportunity recognition and development are crucial for understanding the act of entrepreneurship. Without it there would be no such action. Without it there would be no such individual (the entrepreneur). As such, a large swatch of the entrepreneurship literature is focused on exploring how opportunities are found,

developed, and ultimately made profitable. With this being the case, the background will focus on entrepreneurial opportunity research, as it is most pertinent to the focus of this study.

2.1.1: The Opportunity: Discovery, Valuation, and Exploitation

When are opportunities birthed? Do they always exist or are they only conceived when underlying social, economic, or cultural contexts change? Are contexts normally in an equilibrium environment, which would mean opportunities are only unearthed during brief times of unbalancing? Or is the constant state disequilibrium, wherein opportunities are always present? In the former, exploitable opportunities are sporadic. In the latter, opportunities are ever-present. However, the supposition that a single posture prevails rests on a particular belief about contextual changes. Is it to be believed that change is unremitting or is it to be believed that change is intermittent? To believe one or another dictates whether or not one believes opportunities to be present always or only sometimes. Therefore, with the researcher's acknowledgement that change is unrelenting, it follows that entrepreneurs operate in a disequilibrium environment where opportunities are always ripe- they just have to find and pick them.

This stance is supported in the literature. Eckhardt and Shane (2003) posit that if entrepreneurship is to exist there must be at least an implicit assumption that a disequilibrium climate prevails. Otherwise, prices would be doing their job and entrepreneurial opportunities would not exist; prices would be omnipotent and would be adequately communicating all relevant information to everyone. But this scenario does not exist in a market economy (Kirzner, 1985). Change is omnipresent, prices are not

perfect communicators, and economic decisions are not always optimal. “Change is a fact of life” (Venkataraman, 1997: 121). Therefore, if entrepreneurial opportunities are to be understood, it must be accompanied by the assumption that entrepreneurs are operating in a disequilibrium environment. In effect, the literature supports the position and assumption that entrepreneurial opportunities emerge from disequilibria.

Now with that out of the way, entrepreneurial opportunities can be more elegantly defined. They are “situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships” (Eckhardt and Shane, 2003:336). Immediately recognizable here is the similarity between how entrepreneurship as an action is defined and how entrepreneurial opportunity is defined. The reason for this stems from the interdependence of terms. That is the dependence entrepreneurship has on opportunity. The former does not exist without the latter. A person discovers an opportunity, values it, and attempts to exploit it, it is these actions that are collectively known as entrepreneurship, and because he or she has performed these actions they become labeled as an entrepreneur.

To simplify, an opportunity only exists because people have different beliefs. Arguably, this emanates from the uneven dispersion of knowledge, which then informs these beliefs (Hayek, 1945). Therefore, from an entrepreneurial perspective that is beliefs about how prices should be set and about how a product or service should be provided. And these beliefs are changed or shaped with the incorporation of new information. Learning is then what first allows the entrepreneur to discover an opportunity. Learning about new information impacts the belief about how a certain service or product should

be priced, and the opportunity is exposed from realizing that at the moment prices are performing their job inadequately. In sum, learning that prices are not incorporating all the relevant information allows the soon-to-be entrepreneur to see that an opportunity lays dormant- discovery defined.

Another tenant of the entrepreneurial process involves assessing the potential value of an opportunity. To elucidate how the entrepreneur may go about doing this it is helpful to see the valuing process as consisting of both an ex-ante and ex-post component. Wherein the entrepreneur must make an initial ex-ante assessment about the potential value of the opportunity, to gauge whether or not it is worth the economic cost of pursuing it. And they must perform an ex-post analysis, which Eckhardt and Shane (2003:339) see to be the ‘only reliable’ indicator on the potential value of an opportunity. Therein, something quantifiable (revenue, profits, sales growth, etc.) emerges and the opportunity starts to look more or less appealing. This evaluative part of entrepreneurship usually follows the discovery of an opportunity and precedes and follows the exploitation of it- valuation (simplistically) defined.

The third step of the entrepreneurial opportunity process involves exploitation. How is the entrepreneur going to exploit the opportunity? Or put another way, the entrepreneur has discovered the demand for something, now how will he create the supply for this demand (Sarasvathy et al., 2010). This part of the process is particularly important for this study because it is in the creation of this supply where the design of the business model arises and becomes consequential. As the business model dictates how supply will be created and ultimately delivered. Therefore, the study of business model

design and development from an entrepreneurial opportunity perspective is done through uncovering how entrepreneurs exploit opportunities.

More to this point, Ardichvili et al. (2003) argue that part of opportunity development involves designing a business model to commercialize (exploit) a business concept. In their eyes, a concept is imagined and assessed (herein opportunity discovery & evaluation) and then only morphs into an opportunity when a business model is developed (herein as opportunity exploitation). Similarly, George and Bock (2011) speak about how in order for an opportunity to be exploited the entrepreneur must design a business model that will enable him or her to do so. Therefore, it can be surmised that during the opportunity exploitation step of entrepreneurship, the process of designing a business model must have already begun and it would also already be in use.

2.2: Strategy

When do discussions of entrepreneurship stop and strategy begin? An exact demarcation remains elusive; however, an attempt to separate the two is made. This is helpful because it allows for a broader and deeper understanding of both disciplines. Therein, entrepreneurship refers to the initial conception of an organization, and its implementation. Strategy involves subsequent actions taken by members of the organization, and as such these actions are to be labeled as strategic in nature. The entrepreneur is out and the strategist is in. Even still, quarantining either notion remains difficult and maybe even arbitrary. It can be argued that strategic choices are made whilst forming a business or that entrepreneurial actions are taken within an established

organization. However, for the purposes of this review a soft separation of concepts proves fruitful.

In *What is Strategy?*, Michael Porter (1996: 68) answers the title's question by saying that strategy "is the creation of a unique and valuable position, involving a different set of activities." He notes that to have a strategy it is necessary to create a unique value positioning that leverages a differentiated set of activities. Without this strategy would be irrelevant as all organizations would be pursuing the same actions. And a differentiated set of activities is what Porter (1991:102) conceptualizes a firm to be- "a collection of discrete, but interrelated economic activities." Strategy is then the pursuit of developing and maintaining this differentiated activity system.

Nevertheless, how does this pursuit unfold? It should be self-evident that strategy is not an end; rather it is a collection of means. Strategy is more aptly understood as a process of actions that may or may not lead to a unique activity system. Mintzberg and Waters (1985: 257) have spent their careers trying to unmask this supposition and found strategy to be "a pattern in a stream of decisions." There is not a definitive strategy, but a 'process of strategy formation' that unfolds as managers develop their activity systems. As such, strategy is perceived to exist on a processual continuum with two poles: a deliberate and an emergent one. A deliberate strategy is a pattern of actions that subscribe perfectly to the intentions of the strategist. Whereas, an emergent strategy is a pattern of actions that retain order but in the 'absence of intention.' However, as the authors note, strategies that are either completely deliberate or completely emergent are exceedingly rare. Thus, strategy formulation tends to exist somewhere along the continuum between deliberate and emergent patterns of action. In all, strategy forms from "walk[ing] on two

feet, one deliberate, the other emergent... (M)anaging requires a light deft touch- to direct in order to realize intentions while at the same time responding to an unfolding pattern of action” (1985: 271)

Along this continuum, Mintzberg and Waters (1985) also find that a variety of specific patterns of action transpire during strategy formation. Among this cohort of actions, two types are illuminating for this study: the ‘entrepreneurial strategy’ and the ‘umbrella strategy.’ The former finds that strategic actions are forced into patterns by the entrepreneur’s vision of the organization’s position within the competitive landscape. The actions that the entrepreneur takes in pursuit of developing an organization that he or she deems competitively viable converge to form a cogent strategy. Notably though, there usually exists both emergent and deliberate aspects to his or her strategies. The latter variety, an ‘umbrella strategy,’ is characterized by the deliberate establishment of a set of guidelines that inform managerial decisions about strategy. Though the pattern of action is meant to adhere to an overarching set of directions, the strategy remains ‘deliberately emergent’ as strategies are meant to arise from the ground-up. The details emerge to fill-in the broader plans of action (Mintzberg and Waters, 1985: 263).

In what is next an almost perfect example of the inherent limits to separating the concepts of entrepreneurship and strategy, Peter Drucker (1985) provides us with his paper entitled *Entrepreneurial Strategies*. Herein, he details three types of strategies that entrepreneurs follow in their endeavors towards market dominance- dominance being a key word here. To Drucker an entrepreneurial strategy unequivocally seeks to establish leadership in a particular market or industry. Thus entrepreneurial strategies are “distinct, and they are different” from other types of strategies as they seek do something different

in the pursuit of dominance (1985: 9). Yet, how the entrepreneur actually goes about doing so deviates from case to case.

The first type of strategy, which Drucker calls ‘Fustest with the Mostest’, is the most rare and the riskiest of the three strategies to initiate. It seeks to create an entirely new product or service and then build an entirely new market for it. Nylon, the Word Processor, and newly discovered vitamins serve as a few of Drucker’s examples. Obviously, this is a rare type of strategy for an entrepreneur to pursue, for the simple reason that these types of innovations are seldom arrived upon.

The second and third types of entrepreneurial strategies are those that us spectators and entrepreneurs see and utilize more often. With similar nomenclature to other scholars (i.e. Schumpeter), Drucker calls the second strategy one of ‘creative imitation.’ At a basic level, entrepreneurs see the success of others in a particular market and leverage those learned experiences to creatively imitate such practices somewhere else. A consequential note is that imitation “starts out with markets rather than with products, with customers rather than with producers... (c)reative imitation does not create demand, rather it satisfies demand that already exists” (1985: 18). Such is similar to what is noted above, the entrepreneurial task lies in creating a supply for an identified demand. And an option for this may be to use a strategy of creative imitation.

Again from an inventive perspective, Drucker names his third strategic fight song ‘Entrepreneurial Judo.’ Here an entrepreneur recognizes that the incumbents are performing their jobs inadequately, they are either leaving themselves exposed because they are servicing their customers inadequately or are just not satisfying something their customers are thirsting for. Therein, the entrepreneurial strategy is to “design a product or

service which is specific to a given market segment and optimal for it,” in a manner that was not being done by the present incumbents. “Entrepreneurial judo is always market-focused and market-driven” (1985: 23, 25). The entrants take advantage of the weaknesses left exposed by the incumbents (the oldest strategic mechanism in the book, attack your opponents’ weak points). Examining Drucker’s entrepreneurial strategies in such depth like this is self-serving because it helps to explicate how and why certain entrepreneurs developed as they did. It helps to put into perspective the strategies employed by entrepreneurs in the creation of their new entities. This is crucial for this study because understanding the underlying strategies pursued by particular entrepreneurs enables a clearer understanding of how and why certain business model designs were chosen as they were.

Lastly and from a very different perspective than the above authors, Ronda-Pupo and Guerras-Martin (2012) perform a content analysis of over ninety of the most cited strategy definitions, arising over a forty-year span, to come to what they perceive as a more semantically appropriate definition. Through this analysis, the authors arrive at an aggregated strategy definition. However, before this is laid out, some rather interesting findings are noteworthy. That is as time has progressed, and the research grown, definitions of strategy began to shift focus onto incorporating terms such as ‘environment,’ ‘actions,’ and ‘resources’ (2012: 182). And also a prominent shift in the definitions’ focus has been from a core emphasis on strategy that helps to achieve a firm’s goals to an emphasis on strategy that attempts to improve firm performance. With time strategy has seen an “evolution of the internal cohesion of the key terms in the structure of the definition” (2012: 182). In turn, strategy is “stated as the dynamics of the

firm's relation with its environment for which the necessary actions are taken to achieve its goals and/or to increase performance by means of the rational use of resources" (2012: 182)."

2.2.1: The Opportunity from a Strategic Perspective

At its essence strategy is about trying to figure out why certain firms thrive and others implode (Porter, 1991). To survive a firm must beat their competitors, and to beat their competitors a firm must hold a competitive advantage. Strategy can then be seen as the set of attempts aimed at establishing and sustaining a competitive advantage. And an opportunity can be neatly understood as a nascent competitive advantage. The organization seeks to capture a vacant opportunity so as to secure a competitive advantage against its rivals. Similar to the entrepreneurship literature, the strategy literature also sees opportunities to be objectively present, or cultured by the environments they are found in, but subjectively perceived by the firm. Thus is why Porter (1991) connects the existence of competitive advantages to 'the environment as much as to the merits of the individual firm.' Opportunities are as much creatures of their environments as they are creations of their proprietors.

To partition this a bit more, Porter (1991) expands the notion of competitive advantage by maintaining that its possibilities exist within two mutually exclusive economic realities (the more you think about this the harder it gets to circumvent.) Meaning that a firm either captures a competitive advantage from being able to obtain a lower cost structure than their competitors or they are able to perform certain activities

that create enhanced buyer value and are then able to charge a higher price. In this view, opportunities are created to achieve a lower cost or to satiate a unique value offering.

Nevertheless, a larger question still looms, one that Porter (1991:105) asks and in turn substantiates. That is, “Why do some firms conceive of and implement superior configurations of activities or spot entirely new and desirable competitive positions?” A question that is theoretically equivalent to the one entrepreneurship scholars ask, ‘Why do some entrepreneurs spot and then organize to capitalize on certain opportunities?’ Porter’s (1991) findings are that it has to do with environmental and managerial factors. The environment that a firm finds itself in provides a set of initial conditions that both inspires and constrains the opportunity choice set that is available to a firm. And the ‘managerial choices’ that a firm has pursued and will pursue also implicate this opportunity choice set. These two factors contribute to whether or not an opportunity is available to the firm. Or in other words, an environmentally influenced, strategic managerial ‘absorptive capacity’ mediates the set of competitive advantage possibilities (Cohen and Levinthal, 1990).

Admittedly, the concept of a strategic opportunity, which at best relays a competitive advantage, is a slippery idea to define. And Mintzberg is to blame for this. When strategy is emergent, the opportunities that a firm runs into seem attributable to luck, or if we are lucky, circumstance. Mintzberg broke the implicit assumption that strategy and its found opportunities are the result of intention (1987). With this break, there emerged the real possibility that opportunities sometimes just fall into the laps of the firm, and this is the reason for their competitive advantage. The strategic antecedent for a competitive advantage was just emergent *luck*. This obviously clouds a scholar’s

ability to describe how strategic opportunities are discovered, created, or at least identified. However, just as notably, Mintzberg begets a thanking for bringing strategy closer inline with reality. Strategic opportunities are as often cultivated through deliberate actions as they are stumbled upon by following an emergent phenomenon, and most often it is a combination of these actions that actually expose an opportunity (Mintzberg, 1978). Therefore, if we are to discover and understand how opportunities influence business model design choices, it will be just as important to investigate the capture of emergent opportunities, as it will be the articulation of deliberate ones.

2.3: The Business Model: Its Development

As was the case above, management theories are often conceived of in ivory towers, spend some time learning and developing, and then go on to graduate and find a role in the corporate world. The theory for the resource-based view of the firm came from researchers, was refined for particular audiences, and was subsequently picked up by practitioners, similar to the dynamic capabilities concept (Barney, 2001). These were crafted and simmered within universities and after that moved on into practice.

Interestingly, the business model concept seems to buck this trend, emerging instead from practice and forcing its way back into universities where it could be studied -from dot.com to dot.edu and back again.

This trend seems to be evident because of the Internet's sheer ability to intensify underlying economic realities. The networking capabilities of the Internet fundamentally altered the possibilities for business model designs. Though the idea of a firm having an implicit business model is as old as business itself (Teece, 2010), the explicit use and

popularity of the term arose in the late 90s and early 2000s along with the Internet (Osterwalder et al., 2005). Osterwalder et al. (2005) studied the origins of the business model term and found that its widespread use could be traced back to the adoption of the Internet by businesses and along with the growth of the NASDAQ.

At first the concept was used in isolation to describe e-businesses, as practitioners were finding it difficult to understand the economic rationale of these firms within the existing managerial paradigms. Therefore, in an attempt at apprehending the logic of e-businesses, the business model concept was proposed (Amit and Zott, 2001). However, soon the description of firms under the guise of the business model concept was extended to include more traditional firms. The concept's application grew in scope because the logic of more traditional firms was also being superiorly articulated by this new management concept (McGrath, 2010). Yet, since the concept originated in practice, the business model's conceptual foundations were not very robust.

Thereby, the formative literature on the subject focuses on identifying what exactly constitutes a *business model* and how it differs from other management concepts. Initially, as with emergent concepts, the definitions for a business model tended to oscillate from case to case and author and author. Even still, the onslaught of definitions can be partitioned into themes, which can then service particular research purposes (George and Bock, 2011). And along with these definitions came taxonomy schemes for classifying different types of business models (Frankenberger et al., 2013; Osterwalder et al., 2010).

While different authors continue to use varying definitions when communicating their theses, among them only a few tend to be frequently and consistently cited. The

frequently cited definition employed in this thesis comes from Osterwalder et al. (2005, 2010). The reason for this selection is twofold. First, it builds on Timmers' (1998) definition of a business model, which helps draw the design blueprint of the firm, and Timmers' definition was one of, if not the first introduced into the literature, which as a result has allowed for it to be regularly cited and built upon. Second, Osterwalder et al.'s definition has proven its applicability in both practice and academia (Bucherer and Uckelmann, 2011). Accordingly, a business model is understood here to be "the rationale of how an organization creates, delivers, and captures value" (Osterwalder et al., 2010)- or more specifically the *customer value proposition, the delivery channel(s), the firm's key activities and resources, its revenue streams, and its cost structure*.

From an alternative vantage point, albeit one that reminiscently connects with the strategy literature, Amit and Zott (2001, 2010, 2012) describe business models as 'systems of activities.' The system shows how an organization conducts business with its customers, partners and vendors. The activity system spotlights the entirety of an organization, underlining its linkages and connections both internally and externally, creating a more comprehensible organizational logic. And though there are a variety of other conceptualizations and idiosyncratic definitions for what exactly a business model is, the overwhelming majority depict the business model as a *networked description for the logic of the firm*. The business model connects how the firm creates, sells and then delivers value to its customers, its partners, and itself (Devila et al., 2006; Casadesus-Masanell and Ricart, 2007; Amit and Zott, 2001; Osterwalder et al. 2010; Chesbrough, 2006; Johnson, 2010).

2.3.1: The Business Model: Its Purpose

Peter Drucker posits that there is a core set of management questions: Who is the customer? What does the customer value? How are we going to appropriate value to the customer and ourselves through this offering? And what is the economic (revenue/cost) logic that underpins how we deliver this value to customers (Magretta, 2010; Casadesus-Masanell and Ricart, 2007)? At its heart, the business model concept exists to help us answer these questions. As the business model is the blueprint for how a business builds its capabilities and resources to service customers uniquely and sustainably. The power of the business model concept is then its ability to serve as a visualization and conceptualization tool that succinctly, narratively, and easily communicates a firm's answers to the many business questions it faces. Nevertheless, an immediate question pops into the mind, had this not been possible with previous management concepts? In order to answer this it is helpful to explore the answers to why the concept was needed, what makes it such a compelling concept for managers, and what it is that allows for the concept's continued sustenance.

The culprit for all of this is the Internet. The business model concept emerged because the Internet had groundbreaking, market-shattering, and network-obliterating effects on how businesses could be designed and operated. All firms were operating within an environment that was drastically different because of the networking effects of the Internet (Tapscott, 2001). This environment allowed for the creation of e-businesses that first exemplified how a firm could be structured and run differently in the age of the Internet. It was e-businesses not fitting in the scholastic molds, the prevailing

organizational paradigms, which created the conundrum that then justified the use of the business model concept.

Amit and Zott (2001) identify this conundrum, e-business value creation not being explicable in the guise of existing managerial concepts, and work to figure out why this was the case. From their research, they show that existing theories are simply inadequate in helping to conceptualize the value drivers of highly networked firms. Virtual markets theory, value chain analysis, Schumpeterian innovation, transaction cost economics, resource-based view of the firm, and strategic networks theories are each appraised, but all come up short- “(u)sing any of these... in isolation would result in some crucial aspects of value creation in e-business either ignored or not being given due importance” (2001: 511). Given the very nature of value creation in a highly networked economy, only the business model emerged as a unifying unit of analysis, articulating all firm value drivers- efficiency, complementarities, lock-in, and novelty. The business model concept was needed because in a business environment where networked effects were ubiquitous, other management concepts were inadequate in capturing the unique ways value was being created.

Besides being useful to academics craving a comprehensive explanation for value creation, the business model has also proved helpful to practitioners. This assistance to practicing strategists is what has nurtured the concept’s allure and what has contributed to its continued use. In the main, the business model’s aptness in providing strategists with easily communicable narratives about their firms and instructions about how to potentially secure competitive advantages upholds its sustenance. Alternatively put, the firm as a business model works as a performative representation and a recipe, which

articulates, typifies, entices, and instructs future action, and it is this that is appealing to strategists (Perkmann and Spicer, 2010; Baden-Fuller and Morgan, 2010). As a performative representation, business models are employed as “narratives that persuade, as typifications that legitimate, and as recipes that instruct” (Perkmann and Spicer, 2010: 10). The business model concept gives to strategists a way to convey their firm’s story and instructs them on how to possibly change it.

Within this context, business models have also been made to serve another pivotal function, which is becoming a new unit of analysis between firms (Amit and Zott, 2001; Osterwalder et al., 2010). After business models were defined, they were classified. This allowed for business models to perform a ‘classificatory function’ that infused the concept with added vigor (Baden-Fuller and Morgan, 2010). Such popular examples of classification types include the freemium, the multi-sided platform, the subscription, and the razor-blade business models. It is such classified types that provide strategists with a toolkit of available options to compare and contrast to determine how to best improve or innovate on the prevailing business model within industries. As well as, by associating with a ‘Skype Freemium model’ or ‘Visa multi-sided platform model,’ an aura of legitimacy permeates the firm’s own business model (Perkmann and Spicer, 2010).

Another reason for why the business model concept continues to spread stems from the concept’s ability to support a strategist’s innovative ambitions through serving as recipes. As we all know, a recipe is a set of instructions on how to create a particular type of dish (Chicken Parmesan, Gobi Masala, Jambalaya, etc.). And in strategy formation there often exists a recipe on how to create a particular type of firm (Apparel, Restaurant, Grocery, etc.) Strategists use recipes as calculative instructions on how their

firms should shift and morph in order to operate within a particular market. Standard industrial recipes instruct how to design business models for particular industries or environments (Perkmann and Spicer, 2010). To use Perkmann and Spicer's (2010) analogy, replace the cook with a strategist, and a recipe for an entrée with a recipe for a business model. Just like the cook, the strategist is not completely confined by a set of ingredients, but is able to experiment with the dish, the generic-industry business model, with an almost limitless set of ingredients, business model components. The cook uses novel ingredients, or a novel combination of ingredients, to change the standard composition of an entrée and so can the strategist, experimenting with unconventional business model designs and configurations, which is done all in the hopes of cooking up an innovative business model design (Baden-Fuller and Morgan, 2010).

This creative approach to organizational formation and then the construction of research on it proves curious. As was briefly touched upon above, management research, and in particular strategy research, has historically been studied by narrowly focusing on the industry the firm finds itself in and the resources it has at its disposal. However, such a limited scope begets possibly missing crucial aspects of value creation or opportunity development. The digitization of commerce, which has fundamentally altered the environmental conditions that firms find themselves in, has mandated for the “replacement or complement of the traditional unit of analysis... and a redefinition of the traditional value chain” (Bucherer and Uckelmann, 2011: 255). And the business model has been selected by practitioners, and later by a cohort of researchers, to be that very replacement. This is a central reason why new research on the business model is needed; value creation in highly networked firms exceeds the antiquated focuses on the industry

and firm resources alone, value drivers in today's markets are *only* exhaustively “captured by the business model” (Amit and Zott, 2001: 503).

Therefore, the purpose of the business model concept becomes legible, and the reasons for this are threefold. The first is that the concept was simply needed. In the ‘new economy,’ where networked economies are consequential, the business model emerged as the concept that allowed for a complete understanding of value creation for highly networked firms, which then made the concept more appealing for academics. Second, the concept became so compelling for practitioners because it provided them with a narrative tool, which carried a classificatory legitimacy, to use in relaying their firm's unique business story (Magretta, 2010). And lastly, the concept has continued to receive attention from academics and practitioners alike because business models have been turned into recipes, supplying sets of instructions that assist practitioners in their determined and/or tacit attempts at innovation.

2.3.2: Business Model Innovation

Following the widespread establishment of definitions and taxonomies, the research shifted its focus and began to question the usefulness and impact-fullness of the business model concept. Largely this was done through research that looked at business model innovation. The logic was a business model that was innovative would or would not produce some sought of organizational outcome. And if this outcome proved beneficial for the organization then business model innovation may be an appealing strategic pursuit. Therein, scholars found that when business models are innovative, firms see their operating margins balloon and their strategic flexibility increased (Pohle and Chapman,

2006). Firms see upticks in their net income and stock prices (Amit and Zott, 2010, 2012). And according to Comes and Berniker (2008), firms can even see their industries completely restructured after a business model innovation. Almost exclusively (Aspara et al., 2010), the empirics show that when business models are successfully innovated, the results are overwhelmingly positive.

Nevertheless, there is concern about how to define innovation and it is often suggested that guidance come from the Oslo Manual, which broadly defines innovation to be the introduction of something novel. As presented, novelties can be “new to the firm, new to the market, [or] new to the world” (OECD and Eurostat, 2005: 57). The minimum requirement of an innovation is for it to be ‘new to the firm.’ However, when separating out the different types of innovation, Oslo distinguishes narrowly between four types of innovation: product, process, marketing, and organizational. Such distinctions do not mean that business model innovations are nonexistent or unimportant. Instead, certain types of ‘Schumpeterian innovation’ are ignored because the manual’s focus is only on the innovations happening *within* the individual firm. A novel business model that ‘opens up a new market’ or ushers in a phase of ‘industry reorganization’ (i.e. a Schumpeterian innovation) is pertinent, but from the manual’s perspective tangential (2005: 8).

Nevertheless, this does not mean that business model innovation ought not be focused on or not be the way for us to conceptualize of organizational change. As Barney (2001) convincingly details, findings can be presented underneath an array of theoretical spotlights; however, a spotlight should be used purposefully to showcase particular attributes of your findings so that target audiences find them most attractive. The argument could be made that a business model and its innovativeness be deconstructed

and understood to be the accumulation of different ‘product, process, marketing, and organizational innovations.’ However, to the practitioners and academics that already find the business model concept illuminating this would be like using a flashlight to light up a Broadway production instead of more fittingly using an industrial-grade spotlight.

Therefore, it instead proves useful to examine how business model innovations have been understood within the existing literature. Again, after the research on defining and compartmentalizing the business model, the focus shifted to what it is that makes them innovative. For example, Sorescu et al. (2011) examine retail business models and determine that one’s innovativeness is the result of changing certain transactional aspects of their business models. This definitional script is influenced by the business model definition purported by Amit and Zott (2001). To Amit and Zott (2001) and then Sorescu et al. (2011), changing the normative industrial content, structure, or governance of transactions can culminate in an innovative business model. This is an often-trailed path. Research using qualitative studies to exemplify how firm x, y, or z has changed this content or that structure of a particular transaction, and with this augmentation an innovative business model was ultimately designed (Amit and Zott, 2001, 2010, 2012; Sorescu et al., 2011, Zott and Amit, 2007).

In similar vein, Osterwalder et al. (2010) go on to showcase business model innovations as the product of novel business model designs. These are designs that create value in unexpected ways for companies, customers and/or society. Innovation in this sense is very Schumpeterian; a business model innovation is a new combination of already existing business model elements. For a business model to then be considered innovative all that is needed is for one of the eight combined Osterwalderian (2010)

components to be different from the industry's normative business model. Likewise, Johnson (2010) creates a four-block framework meant to represent the components of a business model, the customer value proposition, profit formula, key processes, and key resources, and notes that a business model innovation is again a new combination of these four existing elements.

As with defining business model innovation, patterns within the literature abound. Case in point, the vast majority of the above findings seek to understand business model innovation from the innovation backwards. Meaning that a business model that the researcher intuitively finds to be innovative is spotlighted and then dissected. The procedure is to first pinpoint what it is different about the firm's business model relative to their most direct competitors. Next, the researcher inspects the differences and he or she postulates that the business model is innovative because a specific characteristic(s) of their business model is divergent from the rest. For example, by changing the governance of the activity system that prevailed in their industry, Next Issue Media initiated a business model innovation (Amit and Zott, 2012). Or, because Skype implemented a value proposition, revenue structure and customer segment that was different from traditional competitors, their business model design was believed to be innovative (Osterwalder et al., 2010). Innovativeness is consistently measured relative to the competition. And the innovation process is always simplistically transcribed- change this, change that, voila, innovation.

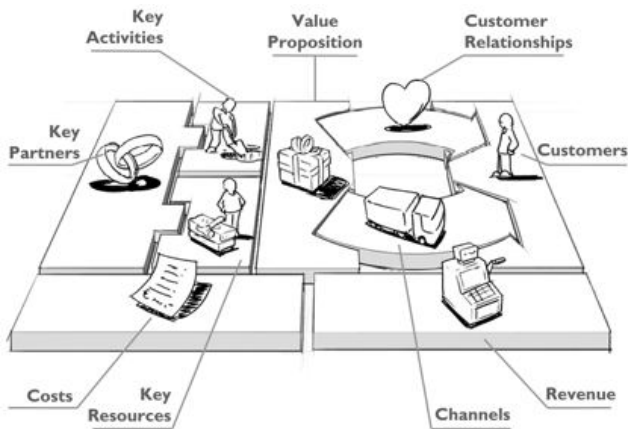
Therein exists the current bias in the literature. Researchers continue to default to trying to break down the business model to its explicit components and then ascribe the innovation of the business model to a change in a certain characteristic(s) or component(s) (Johnson, Christensen, and Kagermann, 2008; Comes and Berniker, 2008;

Yip, 2004; Demil and Lecocq, 2010; Gilbert et al., 2003; Moore and Birtwistle, 2004; Sorescu et al, 2011; Amit and Zott, 2012.) However, as expected, such a limited diagnosis misses out on how business model innovation actually happens from conceptual inception of the business model onwards. There is more going on during the design of a business model than just analyzing transactions or Osterwalderian building blocks and then changing one of these to spur innovation. Rather, the innovative business model that is identifiable today is more likely the result of an array of iterative design processes.

If the business model concept is then useful because it exposes how a firm conducts its business (displays the logic of the firm), and impactful because changing or innovating the business model can lead to commercially lucrative outcomes (Aspara et al., 2010; Kodama, 2004; Morris et al., 2006; Pohle and Chapman, 2006; Zott and Amit, 2007), the goal ought to be to understand how to operationalize such a change or innovation. Even still, the sources that have articulated such a perspective have only come from a scarce handful of sources. In it there are presentations on how business model innovation can become an attainable outcome. However, this focus area continues to be under-explored with many questions remaining. It also continues to be almost exclusively presented from the perspective of established-firms and the managers that are serving as their strategists.

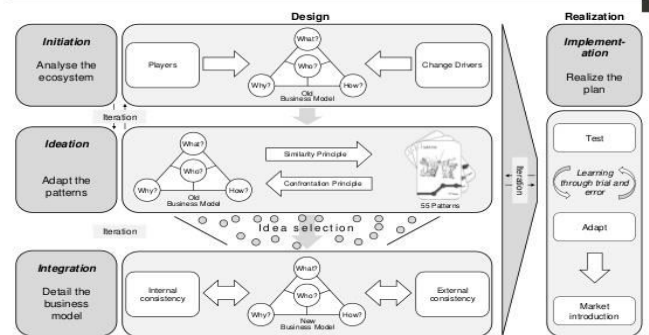
For example, a popular source is *Business Model Generation* by Osterwalder et al. (2010). The book is meant to serve as a guide for practitioners- be that consultants, entrepreneurs, or managers- on how they could create or innovate their business models and is comfortably situated within the ‘design thinking’ literature (Brown, 2005; Martin,

2009). Another source comes from Gassmann, Frankenberger, & Csik (2015) in the *Business Model Navigator*. They provide an empirically grounded process framework and four-step approach to innovate your business model. This framework is the accumulation of previous academic works that the authors have published (Bucherer, Eisert, & Gassmann, 2012; Frankenberger et al., 2013). It is a framework meant to assist corporate managers and was researched by gathering data about their innovation practices. Other researchers have followed a similar approach, whereby they also conduct qualitative research (interviews) to understand the processes that corporate managers go through in changing or innovating their business models (Achtenhagen et al., 2013; Voelpel et al., 2004). From the aforementioned research, two illustrations as seen below serve as helpful starting points in conceptualizing and guiding our understanding of what a business model is and how practitioners may go about creating or changing one.



The Business Model Canvas: *Business Model Generation* (Osterwalder et al., 2010)

The Business Model Navigator: A systematic approach for developing innovative business models



Holcim The Business Model Navigator (Gassmann, Frankenberger, & Csik, 2015)

Source: ITEM-HSG
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Nonetheless, even with these authors' proposed findings, developmental instruments, and the assumption that business models are useful and can be innovated, each of these sources misses out on exploring the origins of business models- especially novel business models. The need to uncover *how business models arise* is a proposed area for future research that shows up in a plethora of papers. Demil et al. (2015) for example, believe that we still do not know how business models have historically been changed. Therefore, they ask for research on "how are business models created in different contexts" (2015: 8). Prior to this, George and Bock (2011: 106) notice that a business model facilitates an entrepreneurial opportunity and asks for research "linking opportunity landscape assessment to business model design." And Frankenberger et al. (2013: 14) highlight the lack of research on a "process view of business model innovation" and acknowledge that it could be siphoned from noticing how opportunities are transformed into business models. With these illuminating examples, the need to understand how innovative business models are developed becomes crystallized.

As documented thus far, the previous research has defined what a business model is and what exactly its constituent parts should be. However, when its innovation is scrutinized only an ex-post account is given. Business models are innovative when their designs are divergent from others in the industry and when they are successful in creating and capturing value. A business model is described as having become innovative due to its changing a certain component or characteristic, making it both distinct in the industry and sustainable. Beyond documenting the difference(s) along defined dimensions, an account of how an innovative business model is designed from the outset is not given. Is

the simple high-level tweaking of components truly how novel business models are created?

2.4: Research Questions

The goal of this thesis is to uncover the processes that start-up entrepreneurs go through when designing and developing their business models. Therefore, three questions are posed to guide this research forward. General support for these questions can be garnered from the above background; however, additional support is provided below each question.

I: How do entrepreneurial opportunities inform the creation and refinement of the business model design through the ‘start-up’ process?

The first question is proposed in order to link opportunity development with business model design. More specifically, the current state of the literature recognizes that designing a business model is an essential step in developing an opportunity (Ardichvili et al., 2003); however, it does not yet understand how the opportunity influences the design of the business model. For example, Ardichvili et al. (2000) posit that entrepreneurs develop opportunities, which is to say that they design their business models in order to exploit the market demand that is uncovered. Similarly, George and Bock (2011) note how business models commercialize an opportunity, but that they are searched for not discovered. In the former research, the design of the business model does not seem to have much effect upon the subsequent development of the opportunity, as it

is designed specifically for the opportunity; contrary to the latter, where the design of the business model forcefully shapes the future development of the opportunity, as a model is adopted, but not necessarily customized. In an attempt to reconcile this discrepancy, the influence that a business model design has on the development of an opportunity is sought. This can be rendered from understanding how start-up entrepreneurs use the design of their business models to further their entrepreneurial opportunities. For example, how does the business model as it is currently designed implicate the development of the said business model? In addition, this question is meant to serve as the means to connect opportunity assessment and business model design; something yearned for in the literature (Frankenberger et al., 2013; George and Bock, 2011).

II: How does the business model development process unfurl?

Secondly, discovering the processes entrepreneurs go through when developing their business models will enable us to approach a ‘process view’ of business model innovation. This discovery will jointly enlighten us to the origins of business models as designed by start-up entrepreneurs- two items that Frankenberger et al. (2013) and Demil et al. (2015) ask for. Likewise, Schneider and Spieth (2013) in their systematic review of the business model innovation literature point to three emerging topics for future research; one of which focuses on uncovering the process of business model development. Thereby, documenting the processes followed during the development of a business model can assist in creating a framework that showcases a new perspective on business model innovation.

III: How are business models influenced by a) ex-ante insights and b) ex-post operational-informed learning?

Lastly, the third question lies at the very heart of the business model innovation literature. A persistent disagreement within the literature is whether an innovative business model is the result of ex-ante insight or ex- post learning, specifically trial-and-error experimentation. For example, Johnson (2010), Johnson et al. (2008), and Coles and Mitchell (2003) note that one way of developing an innovative business model emanates from recognizing novel insights into the needs of the customer. Whereas, McGrath (2010) and Sosna et al. (2010) propagate an alternative narrative, whereby a business model innovation is the result of discovery or the result of trial-and-error learning processes, respectively. However, Teece (2010) brings the two arguments together. He documents that business model innovations are the result of both imaginative insights into the customer and experimentations on a proposed business model. This melding of the two stances seems the one most plausible. When entrepreneurial business model design and development processes are examined both ex-ante insights and ex-post learning will most likely play their respective roles. Accordingly, the goal with the third question is to provide additional research on this debate and to understand from another vantage point, that of entrepreneurial leaders, whether it is an ex-ante insight or ex-post learning that enables him or her to create and maintain an innovative business model.

Chapter 3: Research Design and Methodology

In order to realize this study a variety of decisions had to first be made about its design. Therefore, in this chapter a review on why a qualitative study design was chosen, how the data were collected, analyzed, and thereafter represented is expressed. Also, explicit emphasis is made to how the quality of the analysis was maintained and how the analysis' construction follows well-established qualitative practices.

3.1: Qualitative Research Rationale

This study is meant to be an exploratory attempt at discovering the processes involved in developing a business model. A qualitative research design is a deliberate choice for a multitude of reasons. First, as Myers notes a qualitative method is well intended when researchers ask, “how certain phenomena have come to happen” (2013: 6). And as the central objective of this research is to understand how the phenomenon known as business model development has come to happen, a qualitative design is vindicated. Second, considering that the business model is a relatively young management concept, and its development and innovation is both ‘complex and unquantifiable’ (Myers, 2013), it is recommended that a qualitative research approach be undertaken to obtain a “complex, detailed understanding of the [business model development] issue” (Creswell, 2013: 48; Miles and Huberman 1994). Lastly, when the research questions asked seek to uncover what is happening and how it has come to happen, a qualitative research design is most appropriate (Myers, 2013).

3.2: Data Collection

In order to actualize this qualitative design, a well-defined data collection procedure is followed. The initial task was to reach out to entrepreneurial ventures willing to participate in an hour-long interview about the processes they went through in designing and developing their business models. This was achieved by using a purposeful and convenient sampling strategy. Therein, in-depth interviews with the ventures' entrepreneurs or managers were conducted as this allowed for the elicitation of the "personal experiences and motives" entrepreneurs had in designing their business models (Clark, 2003: 223). The interviews took place in-person and over the phone.

A purposeful and convenient sampling strategy was initiated for two reasons. First, as Creswell (2013: 156) advises, purposeful sampling is used to "inform an understanding of the research problem and central phenomenon in the study." And second, considering that this research was bounded by both temporal and financial restraints a convenient sample was most opportune (Patton, 2002). In practice the sampling technique resembled the following scenario:

The entrepreneurial ventures (founding entrepreneurs or managers) interviewed would come from industry specific, but market segment spanning firms. That is, only entrepreneurs who had introduced novel business models within the men's retail segment would be interviewed. Though these firms would be operating within a similar industry (men's retail), they will likely be geographically dissimilar. The firms will also still have key founders or founding teams leading

the businesses. The goal is to hopefully have a sample size between 5-10 interviews.

Previous research (Frankenberger et al., 2013) had a sample size of fourteen when speaking with larger companies who have recently introduced an innovative business model. Similarly, George and Bock (2011) conduct twelve interviews with managers at early-stage technology firms, spread throughout different industries and two countries, to gauge their knowledge and experience with the business model construct. What is noticeable is that with regard to the number of firms interviewed, having somewhere between 5-10 firms in a sample is a common characteristic shared among qualitative studies in the business model literature.

In studies, researchers have narrowed their focus to a single industry, have used an individual case with no first hand data, or have occasionally done both. For example, Sorescu et al. (2011) look at business model innovations within the retail industry; however, they use only publicly available secondary data about large retail firms to expose how they unleashed innovative business models. Moore and Birtwistle (2004) use a single case study of luxury fashion retailer Burberry. They then craft this case using secondary data from Burberry's IPO and annual reports. Moreover, in one of the most highly-cited studies on business model innovation, Demil and Lecocq (2010) again use a single case study with qualitative data generated from 'one main' source, annual reports of the Arsenal Football Club, to uncover the evolution of the club's innovative business model. Thereafter, with this handful of representative examples, a data collection process that generates primary data from 5-10 entrepreneurial ventures is supported by existing

literature and may even supersede much of it in robustness. Instead of primarily using guesswork to glean what entrepreneurs or managers did in the process of developing their business model from publicly available information, this study's data collection process will reveal the processes entrepreneurs went through to develop their novel business models by asking them.

Additionally, as noted above, this study's data collection entails interviewing firms from different market segments, of different sizes, and from different regions. With such a sample, an argument may be made that such contrasting firm characteristics may dilute the findings. Having said that, such a dilemma has yet to plague the current findings. Frankenberger et al. (2013) found that even though their sample of managers came from different industries, from firms of different sizes and ages, the processes managers went through to develop or innovate their business models were rather systematic. These findings are similar to Osterwalder et al.'s (2010) and Amit and Zott's (2001), both of whom find that the process of business model innovation is rather consistent across divergent domains- with minor caveats of course. Therefore, pursuing a data collection procedure that involves interviewing entrepreneurial ventures from different segments (within men's retail) or regions (varying countries) should not pose as a roadblock.

Even still, there are many advantages to narrowing down on one industry and comprehending how business models within it are developed and innovated. Such support is evident in the existent literature. When focusing on a single industry such as retail (Sorescu et al., 2011; Moore and Birtwistle, 2004), sports (Demil and Lecocq, 2010), technology (Chesbrough, 2006), or even Russian food services (Morris et al.,

2013), the level of detail that can be rendered about business model development and innovation is far greater, the nuances richer, and the proceeding levels of abstraction more justified. Subsequently, the benefit of using a sampling strategy that focuses on firms operating within a single industry, men's retail, is to be able to provide a substantive report that has the detail needed for transferability, the nuances to be enlightening and impactful, and the abstractions that are grounded and academically rigorous.

To then go about finding entrepreneurial ventures within men's retail, the below approach was employed. First, an initial list of possible firms was compiled using the researchers own prior knowledge of firms within the industry. Next, information on innovative entrepreneurial ventures within men's retail was searched for on the Internet. This resulted in consulting various lists or articles published by multiple media outlets (GQ, Business Insider, Fast Company, the Business of Fashion, Vogue, FT, etc.) about firms they believed to be some of the most promising in the space. Concurrent to this, as the search progressed additional firms were suggested through targeted advertisements while online. All in all, a list of thirty-two firms was compiled and each was subsequently contacted.

The next subject matter that must be covered is the use of the in-depth interviews. As noted above, an interview is a resourceful technique to use to discover the processes an entrepreneur goes through in developing his or her business models. Even still, the interview can take multiple forms. Therefore, both for the effectiveness and reliability of the interview a standardized protocol was used. The approach to the interviewing strategy is inspired and modeled after Patton's (2002: 347) 'combination strategy' to interviewing.

Whereby, a standard and sequential interview protocol is adjoined with interview flexibility. “(C)arefully worded and arranged questions” were asked to each entrepreneur in the same sequence (Patton, 2002: 342), and as the interviewing strategy allows, any interesting subject line can be pursued in more depth with probes. Following each interview, recordings were immediately turned into verbatim transcripts.

Lastly, though entrepreneurs or managers will be interviewed about their young firms, which are as a result likely to have less published information about themselves than larger organizations, an attempt is still made herein to triangulate the interview data by authenticating it against multiple kinds of source material, e.g. information from company websites and/ or other publications about the firm. Given that the potential to triangulate the interview data will deviate from entrepreneurial venture to entrepreneurial venture, the ability to call each firm ‘a case’ is stymied by the stringent requirements needed to build a case (Yin, 1994). And as such, this study will not be referred to as a case study of men’s retail firms. However, such does not take away from the credence of the potential findings. It is simply the result of the questions being asked and the sample population being investigated that this is study is not a case study. In brief, this study will take the form of an exploratory, interview-focused, qualitative examination into the design and development of business models.

3.3: Data Analysis

To ensure that a systematic data analysis is performed a stringent coding process ensued. For the purposes of this study, a grounded theory process to coding was utilized and

modeled after Charmaz (2006). To satisfy the requirements outlined by Charmaz (2006), a three-step coding process was implemented. It first consisted of performing an initial coding, then a focused coding, and lastly a theoretical coding of the data. The initial coding was done to “generate the bones of the analysis” (Charmaz, 2006: 45). This initial descriptive coding procedure involved going through the data and naming it line by line. To certify that a grounded theory coding process was maintained, I remained open to all theoretical possibilities and made sure that my codes stuck “closely to the data” and emerged from it (Charmaz, 2006: 45).

The second phase of coding is what Charmaz (2006) refers to as the focused coding stage. A “selective phase that uses the most significant or frequent initial codes to sort, synthesize, integrate, and organize large amounts of data” was completed (2006: 46). Though this activity can be actualized in a variety of manners, significance was measured in two ways: either because an entrepreneur frequently repeated a notion or an unusually heavy emphasis is attributed to an idea or experience. For example, an entrepreneur does not recount his or her past failures frequently, but makes explicit mention about how significant these experiences were in influencing his current business model design. With such exemplifying cases where frequency is not necessarily present, but significance is, a focused code is similarly noted. Moreover, the focused codes were used when certain types of issues, themes, and concepts were present within the data. This phase remained an iterative and circular process whereby codes were constantly compared across data sets and returned to whenever ‘aha’ moments transpired. Lastly, concurrent to coding, constant memoing was undertaken to force a continual reflection on the data (Hennink et al., 2011).

As is dictated by Charmaz's (2006) coding process, the third step of coding involved following a theoretical coding of the data. Particularly, it was here where a more sophisticated interpretation of the data was formed. The goal of this phase was to examine "possible relationships between categories you have developed in your focused coding" (Charmaz, 2006: 63). Whereas it was focused codes integrating initial codes, theoretical codes integrated the focused codes. With this notion in mind, my theoretical codes involved testing out how my focused codes could come together to provide a more substantive narrative. During this stage I endeavored to develop the constructs that could provide insights and answers to my research questions.

Thereafter, it can be said that the path to my theoretical categories and resultantly the answers to my research questions is relatively straightforward and replicable. The path can be envisioned as advancing up a three-leveled pyramid. At the bottom of the pyramid are a myriad of bricks that each represent a different initial and descriptive code. The second level is made up of my focused codes, which are built right on top of the grounded initial codes. And finally, the top of my pyramid consists of my theoretical codes, which may come across as pointy and visually divergent from the bottom, but are nonetheless, constructed from the ground up- initial to theoretical.

To provide a little more context to the coding process, it should be mentioned that the codes used took the form of both inductive and deductive codes. The inductive codes were spawned using a grounded theory approach as indicated above, whereas, the deductive codes were taken from existing literature. The former codes were created to help narrate the development process of business models and the latter were used to decipher the elements of a business model. The reason for this separation of action is

supported by existing literature. When the business model literature was first forming researchers used inductive methods to discover the components of a business model (Amit and Zott, 2001; Chesbrough and Rosenbloom, 2002; Osterwalder, 2004). Next, researchers used these deductive codes already existent in the literature to create more robust and compatible business model elements (Osterwalder et al., 2005; Shafer et al. 2005; Morris et al., 2005). Then in a subsequent development, researchers used these deduced business model component codes to inductively uncover how business models are changed or innovated (Achtenhagen et al., 2013; Sanchez and Ricart, 2010; Bucherer et al., 2012). Correspondingly, this study uses deductive codes for the components of a business model, and in a similar manner to recent studies uses inductive codes to bring to light the processes that entrepreneurs go through in designing and developing their business models.

In broad, the data is analyzed through the use of coding. An analysis is a “careful study of something to learn about its parts, what they do, and how they are related to each other” (Merriam-Webster, 2015). A stringent coding process is what allows for an analysis of the data. It mandates the researcher carefully study the data, learn how its shared and divergent elements interact and interrelate both internally and across data sets. Therefore, to reiterate, the data analysis method in this study follows a grounded theory coding technique.

3.4: Quality Control

In order to control for the quality of the study, an established set of qualitative standards was adhered to. These included evaluating the quality of both the data preparation and the

code development, which together help to render my data analysis reliable. To appraise the quality of the preparation, Hennink et al. (2011: 229) pose questions that should be asked and satisfied. 1) Appropriateness is met as interviews are transcribed verbatim and a codebook is maintained to improve consistency during coding. 2) Transparency is preserved because both the procedures to collect and to develop and code the data are detailed. 3) Inductive and in vivo codes are present and memoing was used to reflect on the data whilst coding. All of which culminate in validating the appropriate use of a grounded coding process.

From what can be seen as an ‘external stance’, an additional attempt is made to corroborate the soundness of my analytical interpretation of the data (to control for quality). Creswell (2013: 249) describes “validation in qualitative research to be an attempt to assess the accuracy of the findings.” For research to be validated, to assess its accuracy, a stringent analytical process must be followed. Creswell (2013) recommends using at least two of eight validation strategies to assess accuracy. Thus, considering what was possible for this study, three of eight validation strategies were used: a peer review/ debriefing, a rich and thick description of the participants as to allow for ease of transferability, and participant review/ debriefing. To quickly glimpse into how quality was controlled for during the analysis of the data, a diagram is provided below in appendix a.

Furthermore, from a congruent perspective, Clark (2003) recommends using her peer review guide to assess the quality of qualitative work. The mnemonic device for this, ‘RATS,’ serves as a ‘set of guidelines’ to help judge quality. An indication of how each of the criteria is met is outlined herein to show and communicate that a rigorous

procedure was used in the construction of this study. The (R)elelevance of the research question is argued above, the need to study how innovative business models are designed is material. The (A)ppropriateness of a qualitative method is also summarized above, but again it is the superior approach for this project because I am seeking to discover *how* entrepreneurs design their business models. (T)ransparency of procedures is, likewise, adhered to. In fact, large swaths of the paper are purposefully dedicated to ensuring that data collection and analysis procedures are reported clearly and thoroughly. And the (S)oundness of the interpretative approach is described in-depth and validated according to criteria suggested by Creswell (2013). Consequently, the RATS are feed and placated, the criteria for a quality qualitative report are hereto fulfilled.

Nevertheless, the above quality control process will only succeed if the researcher does their work. That is if the researcher remains objective while ensuring a quality production. The purpose of a quality section in a qualitative study is to ensure that the researcher followed well-established norms and practices, but it is also articulated to convey to the reader that the researcher mitigated against his own ignorance. By remaining objective, the researcher collects the data, analyzes the findings while considering all possible hypotheses, and then presents his or her findings regardless of prior expectations. Objectivity involves removing the peripheral blinders to be able to see and contemplate alternative hypotheses that exist outside of any preconceived ‘findings.’ So, to mitigate against finding exactly what is hypothesized, I have challenged myself to see alternative hypotheses, constantly working to maintain objectivity.

3.5: Data Representation

In my attempt to analyze and comprehend some of the major themes and lessons from the data, matrices and process frameworks will be drawn. In this way, they can help to illustrate how the data from the different interviews connect within themselves and with each other. Outside of instinctual attempts at drawing possible connections, one method for visualizing the data involves grouping the focused and/or theoretical codes according to identifiable patterns. Miles and Huberman (2014: 142) recommend doing this using a checklist matrix, which is helpful in analyzing a “major variable or general domain of interest.” This analytical task will involve trying to translate patterns and themes from analyzing a single or important theme or code and its component parts. And from an alternate perspective, a radar diagram can also be drawn to make clear the focused codes with the highest counts, which can then be partitioned into themes- a technique that is already well situated within the literature (George and Bock, 2011; Shafer et al., 2005).

Chapter 4: The Data Collected

This chapter will briefly highlight salient points about the data that were collected. This is done to contextualize for the reader the context under which the following analysis was conducted. All the information that follows is anonymized, firm names and parts of the firm descriptions are intentionally vague so to protect the firm and their entrepreneurs.

4.1: The Firms

In this study a total of eight firms were interviewed and examined. Each was interviewed in the manner as outlined above for anywhere between thirty-five to ninety minutes, with the median interview lasting about sixty minutes. Founding entrepreneurs or leading managers within the organization were the ones who participated in these interviews. Each was intimately knowledgeable about the firm's business model as it is currently practiced, the processes and reasons why particular business model designs were chosen, and how these designs may or may not have changed over time.

All eight firms operate within the men's retail industry. However, some are solely involved in men's retail while others are also involved in women's or children's retail. These retailers are all online, but they are not all offline. Many operate internationally through their online stores, but predominantly they participate in North American and European markets. The firms interviewed were founded and continue to operate in Canada, the USA, and/or the UK. They are predominately young firms; most have been in operation for only a handful of years. And again each firm has the founding entrepreneur leading the organization in some capacity. A table is provided below with the disguised names of the firms, which will be used throughout the paper, their founding locations, and the retail markets they currently participate in.

Firm Name	Location Founded	Retail Market
Firm A	Canada	Men's
Firm B	USA	Men's/Women's/ Kids
Firm C	Canada	Men's
Firm D	Canada	Men's/ Women's
Firm E	Canada	Men's
Firm F	UK	Men's/ Women's
Firm G	USA	Men's
Firm H	USA	Men's

Most of these firms are also highly unique in their current business model designs. That is the firms each display a differentiated business model design within men's retail relative to their most immediate competitors- this being especially true at the time of their founding. As time has progressed and competition flourished the starkness of these differences may have dulled, but the differences are nevertheless present, albeit duller in their contrasts. Some points of differentiation for these eight firms range from business models with unequalled channel structures, distinctive value propositions, cost structures, or revenue streams. Nevertheless, judging the level of uniqueness or innovativeness of the business model is left up to the reader, the customer, and/or the industry to determine. Herein only a broad description of the firm's business model as it is currently practiced is laid out to allow for the reader to perform such an evaluation and gain a better understanding of the context of this research. The business model descriptions below are fashioned from the data gained whilst interviewing the individual entrepreneurial leaders.

Firm A	Value Proposition	Quality and Stylish Custom Formal Men's Wear at Competitive Price Points.
	Key Activities/ Resources	Highly Personal Customer Service Offline and Online; Integrated Just-in-time Supply-Chain with offshore Manufacturers
	Revenue Streams	Retailing of Custom Formal Men's Wear
	Cost Structures	No on hand inventory; Several Store Fronts throughout Provinces; Online Store; No Middle-Men in Supply Chain

Firm E	Value Proposition	Formal Custom Mens's Wear for Great Value: A High-level of Service for a Competitive Price
	Key Activities/ Resources	Omni-channel Retail Experience; Just-in-time Inventory System with Integrated Offshore Supply-Chain
	Revenue Streams	Selling of Product Online and Offline through Omni-Channel Shopping Experience
	Cost Structures	Online Store; Stores in Major Metropolitan Cities; No Middle-Men in Supply Chain

Firm B	Value Proposition	Convenient Subscription Service for a Single Designed Apparel Product
	Key Activities/ Resources	Design; Brand; Unique Delivery; International Subscription Base
	Revenue Streams	Monthly Subscriptions for Product
	Cost Structures	Manufacturing and Design; Online Store

Firm F	Value Proposition	Collective of Independent Brands Sharing Space while gaining a Myriad of Backend Services; Customers Getting Access to Cutting-Edge Independent Brands
	Key Activities/ Resources	Maintenance of Offline and Online Retail Space; Providing Backend Retail Services; Curating Selection of Products
	Revenue Streams	Brands paying Membership Fees to Have Products Displayed in Stores; Commission Fees from Selling Products to Consumers
	Cost Structures	Physical Locations; Online Store; Providing Independent Brands with Backend Services

Firm C	Value Proposition	Curated Subscription for Two Designed Apparel Products
	Key Activities/ Resources	Personal Curation of Products; Warehousing of Products
	Revenue Streams	Monthly Subscription for Products
	Cost Structures	Manufacturing and Design; Online Store

Firm G	Value Proposition	Monthly Subscription for a Set of Apparel Products & Accessories at a Fraction of their Retail Cost; Discovery of New Brands to Create an Ultimate Lifestyle
	Key Activities/ Resources	Curating Selection of Products to Send to Customers Each Month; Nurturing Relationships with Brands
	Revenue Streams	Monthly Subscriptions for Products; Selling of Products Online
	Cost Structures	Apparel & Accessories; Shipping; Online Store

Firm D	Value Proposition	Boutique with Curated Selection of Products; Niche Price Point and Shopping Experience for Geographic Location
	Key Activities/ Resources	Editing & Presentation of Production Selection; Store Fronts to Provide Shopping Experience
	Revenue Streams	Selling of Clothing and Shoes Offline and Online
	Cost Structures	Products; Physical Location; Online Store Front

Firm H	Value Proposition	Personal Styling Service for Men; Convenience of Getting Shipped to Your Door Each Month a Personalized Selection of Clothing & Accessories
	Key Activities/ Resources	Personal Styling through Algorithm and by People; Warehouse of Products; Vendor Relationships
	Revenue Streams	Selling of Products to Customer
	Cost Structures	Stylists; Products; Shipping & Return Costs; Online Store

Chapter 5: Analysis

This chapter presents the answers to the aforementioned research questions. Through the analysis of the data gained from the interviews, answers to the research questions are manufactured. The chapter will detail what was found, what was said in each of the interviews, which helps to spell out evidence-based answers to the research questions.

5.1: Research Question One

I: How do entrepreneurial opportunities inform the creation and refinement of the business model design through the ‘start-up’ process?

As is rather obvious, entrepreneurs must recognize a nascent opportunity before they are able to create a firm that capitalizes on said opportunity. Interestingly though, how the entrepreneur sees this opportunity, how they pick up on it in turn seems to influence how they ultimately design their initial business models. How the entrepreneurs come to recognize that a nascent opportunity exists and what they believe their core insight to be implicates how they then go about creating and refining their business model designs. For the purposes of this question and subsequent answer, the start-up process is defined as the period before operating, before revenues are accrued, before the proverbial doors are opened. The start-up process involves how the entrepreneur came up with their business concept and involves how they initially went about designing their initial business model- the model that was in effect as the doors swung open on day one.

It is true that no entrepreneurial story is the same. Each is unique in its development, growth trajectory, and in its mission, but herein some similarities tended to be evident between them. These were gleaned from a close scrutiny of each of the

entrepreneurial stories. It was in uncovering these similarities and differences in plot lines where answers ultimately bubbled up.

From analyzing the data on each of the entrepreneurial start-up stories two focal trajectories emerged. How each of the entrepreneurs came to their initial business concept and how they then went about designing their business model seemed to unfold along one of two paths. These two paths are referred to as the path to ‘Alleviate Pain’ and as the path to ‘Adopt & Modify.’ Not all firms interviewed fell exactly along one-side, some tended to fluctuate between both, but most did. And partitioning their stories along one of two paths when applicable, and highlighting when not, helps to arrive at an answer to this first research question.

The path to ‘Alleviate Pain’ in brief is when a soon to be entrepreneur experiences some pain-point, they do not readily see an available solution, but envision one that they can create so as to alleviate the pain they had just experienced. The path to ‘Adopt & Modify’ in brief is when a soon to be entrepreneur sees that a particular type of business model is intriguing and successful in another market, or in another industry, and its purposes and functionality can be re-appropriated into a market or industry where it currently does not exist. The former cases will be looked at first and then the latter. To assist the reader in visualizing where each of the eight firms fell along each of these two paths, the below table is provided.

Alleviate Pain	Adopt & Modify
Firm A	Firm B
Firm E	Firm C
Firm D	
Firm F	
Firm H	Firm G

To further help crystalize what happens along the ‘Alleviate Pain’ path, the case of Firm E will be used as an illustrative example. To recap, Firm E makes custom formal men’s wear at affordable prices, which is available via their online store or offline at their storefronts in various major metropolitan cities. In the beginning though the products were only available for purchase online. The below remark by Firm’s E co-founder on how his partner experienced a particular pain while shopping and then recognized a possible solution to this experience is indicative of the kind of path each of the ‘Alleviate Pain’ entrepreneurs went through before arriving at their business concepts.

“He needed a suit for a conference, never bought one before, and didn’t have the easiest experience. He is Asian guy, he is relatively slender, he did some research online and pretty much figured out pretty quickly that the stuff he would like to wear was really expensive at the time. He ended up at a Moore’s. The stuff in Moore’s did not fit him very well. He spent a lot of money on tailoring. The sales guy was being very pushy; he didn’t really enjoy that experience. So he ended up with a suit that looked ok, but around that time he also heard about these cheap tailors in Asia that would take something out of a GQ image or ad and could copy it for next to nothing relatively speaking, and it was the combining of that tough experience with the hearing about these tailors in Asia. And if you could do this via the web this could be something really interesting. That is where the idea started.”

This type of story line was relayed in five of the interviews; the entrepreneur would first arrive at the business concept through experiencing a particular pain-point while participating within some sphere of the men’s retail market. Most of the time the soon to be entrepreneur was forced into a purchase, usually because of some sought of financial or geographical constraint. This led him or her to have an underwhelming shopping experience and it was this event that caused the entrepreneur to experience a

pain-point. This in turn opened up the soon to be entrepreneur's mind into noticing that something better can be provided.

Nevertheless, as is evident in the above quote from Firm E, but is also true for the other four firms, the entrepreneur did not only experience a pain, he or she also saw a solution. He or she was cognizant of a possible solution to the pain-point that he or she had just experienced- 'cheap tailors in Asia and the web.' It was the combination of experiencing a pain-point and recognizing a solution to the problem, which the entrepreneur believed to not already be readily available that lead to the business concept. Such a scenario was a part of the story exhibited by five of the firms, as are listed above.

What is also intriguing of these five plot lines is how the entrepreneur saw the solution, how they visualized of a possible solution to the pain-point. Each was externally inspired by a business model, which was being used somewhere else, in their visualizations. That is a business model that was being used in another region, in another market, or in another industry. Though many of the entrepreneurs only had a tacit understanding of the business model construct as is used in the academic literature, they were nonetheless able to recognize business model types, usually called something else under their personal lexicons. When conceptualizing of a solution for the pain-points they had experienced, these entrepreneurs saw business model types that could in-part be used to solve their pain-points.

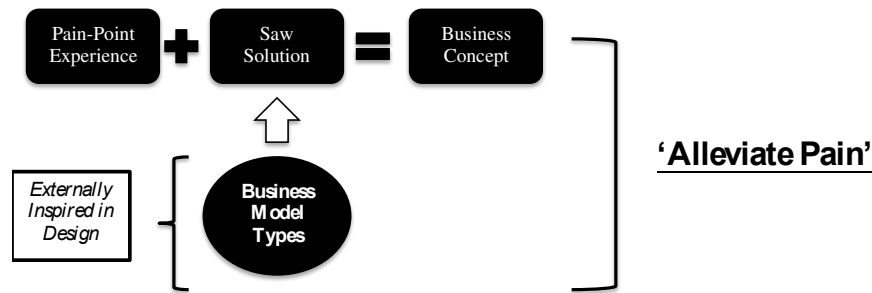
For example, the entrepreneur of Firm H, which is an online personal styling service that sends men outfits each month, faced the pain-point of not having the time or expertise to curate a stylish wardrobe. However, in the process of imagining up a solution for this problem, he was inspired by the emergence of subscription business models

proliferating throughout different industries. They were being used to service customer's needs, but they were also changing the way people were shopping more generally. It was the entrepreneur recognizing that a particular type of business model, in this case a subscription-based one, could be utilized in part to rectify the pain-points he had experienced. This is a common theme along the 'Alleviate Pain' path. The entrepreneurs would recognize other business model types, were inspired by them, and crafted solutions using elements from them. The theorized solution following the pain-point experience leads to the initial business concept. From firm H:

"What we just generally have seen is a change in how folks shop, and the switch over to mobile and e-commerce, and also as a kind of a sub-umbrella under that subscription or "subscriptionesque" type of services. So you know like companies, such as TrunkClub, Birchbox, Netflix... So I don't want to necessarily narrow it down to one company. Really you're just seeing consumer trends across all verticals and that's what we've paid attention to. "

For each of the entrepreneurs who followed the 'Alleviate Pain' path, they either faced the pain-point personally, or were intimately knowledgeable about the experiences of others who had; they were conscious of other business model types that could in-part be used help to alleviate the pains, and it was in the convergence of these two phenomena that led to entrepreneurs having that renowned 'light bulb moment.' Many of the entrepreneurs spoke about this set of events as envisioning a way to now "bridge-the-gap" between the pain-points they were aware of and having the proper solution. They would use business model types from other industries or markets to uniquely service these currently unalleviated consumer pain-points. It was the blueprint for this bridge that is the business concept.

Figure 1



Another fascinating phenomenon emerges among the entrepreneurs who follow the 'Alleviate Pain' path. From having had their business concepts originate along this path, the founder who had experienced the pain-point, or the individual they know who had, became the central customer for whom their business model was designed. This process of personal agitation and the realization of a possible solution is what led these firms to put the founder front and center. The founder was the business model's central customer. The business was designed to solve and service this archetypical customer's pain-points. These entrepreneurs started the design of their business models with themselves as the central customer for whom everything would be designed to service. His pain-points were guiding lights for the business model's design; they spotlighted the opportunity as the solving of the founder's pains, and this is where value could be created. For the firms on this path, it was in solving a central customer's pains (usually the founder's) that guided the initial business model design. Firm H:

"(I)t really starts with the customer, and if you look at [the founders], they're basically asking themselves "Well, what would inhibit us from even signing up in the first place?" This is a service that they really built for themselves. They themselves aren't coming from necessarily like a fashion background. They never really had a passion for fabrics, and knowing all the stuff like runway fashion, and all that. But they were at the time working professionals in New York City and in the Bay Area, who wanted to look put together, especially

then.... So these are the guys who had the means to invest in their wardrobes a little bit, but didn't really have the time, especially as an M&A Banker, and didn't have time and just really didn't like it. They wanted to create something to kind of bridge that gap for folks."

As is evident from above, those entrepreneurs who followed an 'Alleviate Pain' path in coming to their business concepts each, to a certain extent, adopted and modified business model types from other industries. They took elements from business models employed in other industries and markets to help solve the unique pain-points they had experienced. Though it is important to keep in mind, by no means did they take business models wholesale from other industries and simply apply them to solve their exposed needs. It was a much more nuanced approach to adoption and modification- more on this point later.

However, the reverse of this course of action did not transpire for those entrepreneurs that followed the 'Adopt & Modify' path. Their strategy was to wholesale apply a business model type with only minor modifications into men's retail. It did not too involve looking at how this could alleviate pain-points. The resulting business model is more or less identical to the one they were replicating. The exceptions to this are firms D and F who crossed both paths. Nevertheless, in large part the entrepreneurs along the 'Adopt & Modify' path saw the opportunity as applying a particular business model type wholesale into a new practice area within men's retail. Only later or whilst valuing the opportunity did they notice that this particular model, applied in a new practice area, does in fact alleviate a customer's pain-point; yet, alleviating a pain-point was not in any of the cases (Firms B, C, G) the impetus for the business concept. The catalyst was noticing that an opportunity lay dormant; a type of business model does not yet exist in a particular area within men's retail.

To help to clarify how the entrepreneurs from the firms that went along the ‘Adopt and Modify’ path arrived at their business concept it is useful to examine Firm B’s narrative. Firm B sells a designed apparel product through the use of a subscription-type business model. Their customers pay X\$ each month to receive a product delivered to them each month. It operates a subscription business model in much the same way that a magazine does, accumulating by providing value through their designed product a subscriber base that receives a designed product each month. How the entrepreneur from Firm B recognized that such a subscription service was needed in this part of men’s retail is similar to how Firms C and G also recognized that their services were needed. Each noticed that a type of business model was not being applied in a particular facet or niche of men’s retail. As expressed by Firm B:

“In March of 2012 is when the Dollar Shave Club video came out, and obviously the video went viral. It was super hilarious, but I found myself watching it over and over, not because it was so hilarious, because I was like “Man, they’re like modernizing the subscription.” And by modernizing it, I was just like the only friggin subscriptions I knew about was like my Grandma subscribed to the Jelly of the Month Club, and Sausage of the Month Club; all this stuff, and I was just like this company is making ... having subscriptions making a come back, and I think because of the success I saw in Dollar Shave Club that it was having immediately, I was like “Uh I wonder if there’s any other commodity type of business, because I knew that there were would be tons of niche type of businesses that might try subscriptions, and they probably already had tried other businesses, but is there a commodity type of business that would warrant someone getting one of something every month, besides razors, that they need...”

As already noted, firms C and G also expressed such a progression in thought. In fact, firm C also even mentions the influence of *Dollar Shave Club* in influencing how they came up with applying a subscription-based business model into a niche within men’s retail. For Firm G the influencer was not *Dollar Shave Club*, but it was another

subscription type service that was only being employed within women's retail. The concept was to replicate this model and apply it into a niche of men's retail. Admittedly, the type of business concept formation that happens along the path of 'Adopt & Modify' is easier to grasp. An argument could then be made that such a theoretical schema also be used to describe the formation of the business concepts of the other firms interviewed. As they too did, although only to a certain extent, adopt and modify elements of other business models in the design of their own. However, that would be inappropriate because the differences in how they adopt and modify business model types from other markets and industries are real, albeit fine in detail.

Firm H and Firm C used other business model types to arrive at their business concepts. The former moves along the 'Alleviate Pain' path while the latter along the 'Adopt & Modify' path. Both firms looked to subscription-type business models for inspiration in the creation of their own business models. And both, to a certain extent, employ elements of a subscription business model in their own operations. However, how they do so differs quite starkly.

Take firm C for example, they use all of the normative elements of a subscription business model in their operations. The channel structure, monthly delivery of a product; the revenue stream, monthly billing of customers; the value proposition, receive a curated product each month; and the key activities and resources, built to ensure that a product is delivered to the customer each month. All of these elements are typical of any subscription business model. However, such a scenario is divergent from how Firm H has gone about using elements of a subscription business model.

Instead, Firm H implements the subscription idea of the customer signing up to receive a product (an outfit) each month, but does so tangentially. Meaning that in contrast to Firm C, their channel (delivery) structure is subscription inspired but their revenue structure is not. Unlike the usual subscription business model where revenue streams are built by billing the customers at fixed-time periods, Firm H has a more unique method to their revenue streams. They instead utilize the more traditional retail pricing mechanism of selling their products at a specific mark-up on the wholesale price. It is this coupling of a subscription delivery method with an alternative revenue structure that makes Firm H's use of the subscription model different than Firm C's.

This highlighted difference in practice brings this analysis to a critical junction. As the reason why business concept formation has been focused on so heavily thus far becomes ever more apparent. What is evident in the data is that the firms' paths to business concept, 'Alleviate Pain' or 'Adopt & Modify,' have broad implications for how the entrepreneur would go about designing their initial business models. Such is clear from the short comparison between Firms H and C; however, this phenomenon was more thoroughly redundant across data sets.

As a way to elucidate this, the data from Firm F proves helpful. As is noted, Firm F was one of the firms that happened to crisscross paths. They used an existing business model type in large part, but they made concerted efforts to tailor it to customer pain-points- hence the dual path label. How the firm was able to jump between paths was largely a matter of circumstance. The firm was founded by two brothers, one was working as a consultant and noticed that a type of business model he was routinely working with was not yet in use within the retail industry. The other brother was in the

process of searching for a unique opportunity within retail. Together they would devise the business concept that led to Firm F.

“I had been looking at how interesting these properties were essentially an industrial unit that had been subdivided into small, individual spaces that people could rent, and I looked at other property sectors and I saw you have service offices, residential properties that are divided into service residential or hotels often, and I thought there’s nothing really in the retail space that is essentially a service retail business.... I felt there was an opportunity to create something around service retail, and simultaneously my brother who is somewhat more creative than I am was also looking at a fashion and wanted to start his own shop essentially, and we thought could we create something more unique and more innovative model that would allow independent fashion brands to share in a retail space.”

A familial relationship indoctrinated an entrepreneurial story that followed both the paths to business concept. Before applying a service business model into retail though, the entrepreneurs spoke with potential customers they knew to elicit the pain-points they were experiencing. Therein, the entrepreneurs realized that real pains existed and this business model type, which was non-existent in the retail landscape, could be finely tuned to service the pain-points these retail customers were experiencing. What makes Firm F’s experience different is that it was not a wholesale adoption of a business model into the retail market nor was it first noticing that pain-points existed and then concocting a business model to rectify them. Rather it was somewhere in between. A business model type seemed enticing and was impactful in other areas. The entrepreneur noticed that it was not prevalent within retail, and at the same time they became aware of consumer pain-points that could be alleviated with this business model. It was in the culmination of these events that led to Firm F’ business concept. In the entrepreneur’s words:

“Well neither of us worked in fashion. We’d spoken to a few brands, people we knew who had small brands, and we heard there were pain points in trying to

reach a consumer... we spoke to various people and heard that there was a real need from the designer's point of view to have somewhere to sell and at the same time we spoke to customers, who said they were very bored of seeing the same thing on every high street, in every mall, and in every department store, all the same brands, and we ourselves felt that. The independent brands were not really being exposed. No one was able to find them. We certainly couldn't find any cool brands to buy. You go to a store and you get the same brands. You go to any high street anywhere in the world and you can get the same brands. You know it's still like that. So we just thought there's got to be a different way to approach this."

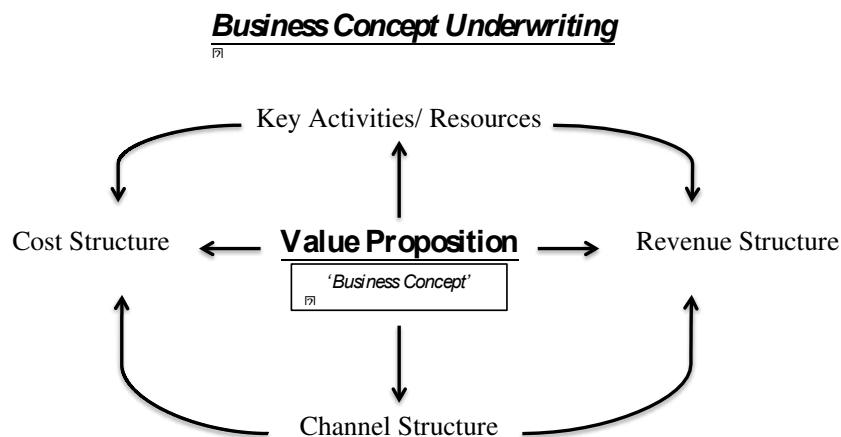
With this additional example of how a firm traversed down both paths towards business concept, the next part of the analysis can be more substantiated. Again, what emerges from all of the data is the crystalizing notion that it is the business concept, and more particularly how the business concept was arrived at, which incubates the initial business model design. How the entrepreneur sees the opportunity is how he or she goes about designing the firm's business model. This is seen in each of the eight cases. Inherent within the business concept are the firm's initial core business model elements. And how the entrepreneur will then go about rounding out the rest of the elements will depend on the path he took to business concept.

For example, Firm A was one that took the 'Alleviate Pain' path towards business concept. Their insight was that it was painfully expensive and an arduous shopping exercise to purchase a suit in Canada, and a solution to this could be leveraging the 'cheap tailors in Asia' they became aware of while traveling around the continent. This business concept then informed how the entrepreneur would design his business model. As written by the pain-point experience, the value proposition became to provide high value in suiting through quality custom wear at affordable prices. The resulting channel structure was built to support this value proposition- stores were opened in low-cost parts

of city centers. The resulting key activities and resources were too built to support this value proposition- inventory was nonexistent in stores to keep costs low, and amicable and knowledgeable tailors were always present to ensure quality measurements and an enjoyable shopping experience. Then stemming from this depressed cost structure, the firm is able to procure a revenue stream that is differentiated from their competitors given their high-quality, low-cost pricing. Evidently, it is the invention of the business concept that in turns designs the original business model elements.

For firms on the ‘Alleviate Pain’ path, their business model designs continued to follow such a development trajectory. The business concept underwrote the value proposition. The value proposition implicated how the delivery channel structures would be created. The key activities and resources the firm would procure were chosen based on what was needed to fulfill the value proposition. And the revenue stream and cost structure were likewise the result of supporting the value proposition, as they were the purposeful result of channel structures and activities/resources that facilitated the value proposition, which was always imbedded within the entrepreneur’s original business concept. All of this is what leads to the initial business model design as exhibited by each of the firms that followed this path. This phenomenon is herein referred to as *Business Concept Underwriting* and a rendering of it is provided below.

Figure 2



The process to initial business model as exhibited by the firms that ventured down the ‘Alleviate Pain’ path is quite case specific. Their business model tends to be crafted around the value proposition as underwritten by the business concept. Each element of the business model is custom designed to service the value proposition as conjured up by the entrepreneur. This is dissimilar to how business models were designed by those entrepreneurs who ventured down the ‘Adopt & Modify’ path. As can be guessed, therein the level of design customization was not as apparent. Rather a business model design was imitated and brought into a niche within men’s retail. How the business model would be put together was already evident somewhere else. The entrepreneur and the opportunity he or she saw was taking it and making it fit into the identified niche.

A metaphor may be useful here; instead of an entrepreneur, an interior designer, and instead of designing a business model, a room. In scenario one, ‘Alleviate Pain,’ the interior designer will figure out exactly what their customer wants for the particular room that is to be designed. The designer may already have some ideas on how to design the room, but they will also search showrooms and stores to discovery those exact pieces that meet the specific needs and wants of the customer they are designing the room for. Now juxtapose this to the designer on the ‘Adopt & Modify’ path. He or she does not yet have a customer, but they are walking around a showroom. They see a room that is designed magnificently, it has been selling like hotcakes at this particular store, and the designer has an idea- take this already successful room design and bring it to potential customers who might like it, but are not aware of it or do not currently have access to something like it. This designer then adopts the design they see, he or she may make slight modifications for the customer they will be selling to, but for the most part the

opportunity is the delivery of a room that is already designed by the store. Regardless though, both are entrepreneurial opportunities for the designer, just two different ways of articulating them. To buttress this analogy the designer (entrepreneur) from firm G:

"I think the concept of the birchbox box model influenced a lot of subscription-based companies out there today. I think they were kind of like the pioneer of it all. It's companies like [ours] and companies like trunkclub that sent clothes on a monthly basis. I think its companies like us who are finding a niche that is a different variation of birch box. The concept of birchbox is definitely influential to the idea of the subscription model, but [for us] it about was developing a [product] that would hit a certain demographic and a certain niche."

Now back to the original question. How do entrepreneurial opportunities inform the creation of a business model? The short answer, it depends. What is found is that the answer to this question is mediated by the entrepreneur's path to business concept. Even still, for all entrepreneurs interviewed it was the business concept, the entrepreneurial opportunity that they saw, which controls how the business model design process unfolds. The business concept either underwrites how the entrepreneur would go about designing their business model- 'Alleviate Pain- or the business concept involves a wholesale appropriation of an already existing business model into a new industry or niche- 'Adopt & Modify.' Regardless, it is the business concept, which is again the entrepreneurial opportunity the entrepreneur perceives that fundamentally informs the creation of the business model. Entrepreneurial opportunities inform the creation of the business model design by undergirding how the entire design process will unfold. Concept (entrepreneurial opportunity) mediates path and path mediates business model design.

5.2: Research Question Two

II: How does the business model development process unfurl?

This research question is aimed at gaining an understanding of how the initial business model as designed by the firm has developed over time. In the last section of this chapter it was shown how the initial business model design was underwritten by the business concept. The concept either underwrote the value proposition, which led to the design of the rest of the business model, or the concept brought in a business model design that was already in use somewhere else. Now that this initial business model is put to use, how does it change over time, how did it go from the one on display as the doors first opened to how it looks today. Or otherwise put, how has the development process of the business model unfurled.

As is identifiable from the answer to question number one, the process from business concept formation to business model design results in a set of core business model elements for the firm. The initial set of value propositions, key activities/resources, channel structures, cost structures, and revenue structures are herein labeled as the firm's core business model elements. It is as time progresses that these core elements are modified, morphed, or ditched as the firm grows. How this change or development in business model design unfurls, from core business model elements to currently exhibited business model, is what this question seeks to expose. Therefore, it is such that this analysis will start with the firm's core business model as a given and then seek to understand how it developed into today's business model, as is detailed in chapter four.

What is immediately intriguing is that the core business model elements for each of the eight firms are more or less the same shape today as they were at their inception. Though all of the business models have changed and developed with time, their elements changed in scope and reach, but *not in their character*. The kinds of elements that were incorporated into the business models at day one are still present. The value propositions or the channel structures have grown in scope, or the activities and resources have grown in size, but their cores are still in tact. They are still offering the same things as day one, but with a little extra here and there. Firm A still articulates the same value proposition, but now has a more robust set of activities, resources, and channel structures to fulfill this than they did on day one. Firm H still articulates a similar, albeit greater value proposition, and also has a larger reach and scope of activities that it performs, yet the business model at its core remains. To better explain this a closer look into the data is needed.

What the analysis points to is that in each of the cases where a development in a business model element takes place there is a set of mediating factors that arbitrate this change. Therefore, it is these mediating factors that will be isolated and focused on, as they are what are shown to explicate the development of the business model. The below rendering includes those factors. More explicit definitions of the factors are found in appendix c.

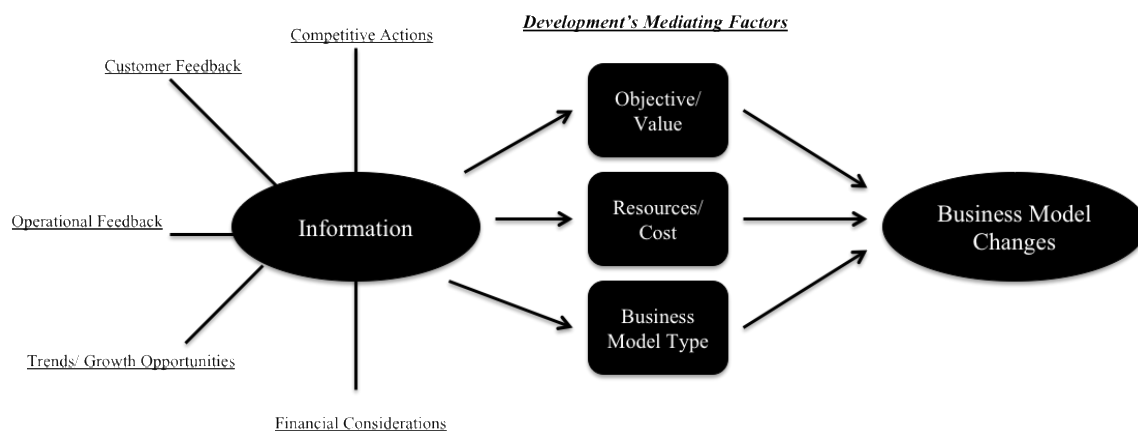
Figure 3

Development's Mediating Factors



Firms B, C, and G each still operate a subscription business model as they did when they first started, hence the core label; however, things have nevertheless changed and the business models' elements developed. For example, in the beginning Firm C sold one curated product that would be delivered each month, but with time they decided to introduce another product to be sold through a subscription. Why? They now had and were willing to commit the additional resources (Resource/ Cost Mediated). They saw that another curated product delivered to their customers could further their value proposition (Objective/ Value Mediated). And how? Their operating business model told them how, through a subscription (Business Model Mediated). As evident in the data, it is through the information that is gained during the regular course of business and this set of mediating factors that untangle how business models develop. Below is a depiction of how this development progresses.

Figure 4



As can be seen from the above model, business models development or change as new information and considerations accrue, and through the mediating effects of three

factors: Objective/ Value, Resource/ Cost, and Business Model. How this plays out for each of the eight firms is a rather fascinating process. A quick glimpse was seen above with firm C; they acquired the information and capital that eluded to the fact that another product could be sold and the implementation of this was business model mediated-sell it through a subscription.

To better exemplify and support the idea behind how the development process unfurls, each of the mediating factors will be examined individually- first the objective/ value mediating factor. It is not a novel idea that businesses accrue a variegated set of information (customer feedback, operational feedback, trends/ growth opportunities, etc.) as they operate; however, the type of information that is generated and leveraged during the development process is still important to mention because it is this information interacting with a mediating factor that helps to explain how and why a business model element changed as it did. So, for the different firms interviewed, how did the objective/ value mediating factor interact with this information to indoctrinate a business model change?

Firm A started as only an offline retailer. Today they also have a robust online platform to complement this offline element. This progression in channel structure took place as it did for a variety of reasons. One of the central reasons being the objectives of the entrepreneur and the value he believes his firm to be providing. In starting this business the entrepreneur's goal was to 'change the way men shopped' and to provide an 'enhanced level of value in men's formal wear.' These were two notions that were implanted from the beginning and this objective and value proposition turned out to dictate development.

For example, customers were coming into stores asking for an online shop to be available (customer feedback). The entrepreneurs knew that an online shop would prove fruitful in depressing costs given that they were largely a volume business (operational feedback). Their competition, even though they saw them as largely adjacent, was investing heavily in their own online platforms (competitive actions). And as they realized, online shopping is an important part of retail (trend/ growth opportunities). So given this information, the entrepreneur was forced to reconcile it with the objectives and value propositions he saw his firm to be providing. Thus, he decided to create an online store; but with a caveat, it was only accessible to returning customers. It was only recently that the firm introduced a new online store that is accessible to everyone. Though yet again what you could purchase was segmented. These development decisions were mediated largely by the objective/ value factor.

“The customer experience online wasn't reflecting what it was here. It wasn't really what it was in the store...We don't trust people taking their measurements. For instance [competitor x] and those [online competitors] that can take your measurements that thing is just asking for disaster and for customer support alerts. My first suit that I measured myself it was like the boxiest suit, the longest, and I think my crotch was [down to] to my knees, and I followed the explanations, but I just didn't know how to do it. So it's a pretty big process... and that's why we don't want to go and let anybody take their measurements.”

What this quote is meant to show is part of the firm's value belief. The entrepreneur does not believe that the value his firm provides could be similarly provided online as it currently is in stores. That is because the proper measurements for the clothing, which ensures the product's value, could not also be achieved online. Therefore, if an online platform was to be introduced it would have to take this into consideration. Which is why the firm's first iteration of their online store was only available to existing

customers, as their measurements were already done in-stores and could be uploaded onto the online platform, thus ensuring value. The second iteration of the online store then took this idea one step further. It would offer a variety of already designed products in normal sizes that anyone could buy, but again if you wanted to customize the clothing you either had to have already had your measurements taken in-store or go in and get them done. As is evident, how firm A's channel structure developed over time was mediated by the objectives and value as perceived by the entrepreneur. Information was acquired during operations, it was mediated by the objective/value factor, and thereafter a change in a business model element transpired.

Another illuminating example on the functioning of the objective/ value mediating factor comes from firm E. Unlike firm A, they were at first only an online retailer, but over time they ventured into having offline storefronts. This development was again mediated partly by this particular factor. Customers were asking the firm to have stores so they could 'touch, feel, and interact' with the products (customer feedback). The entrepreneur knew that in order to access a segment of male consumers an offline presence would be needed (trend/ growth opportunities). Therefore, the entrepreneurs had to balance this new information somehow with their already existent objectives and value proposition, below is how it happened.

"So we always had guys who were saying that they wanted to see and feel products, we always had guys saying they wanted to connect with us live...We did a pop-up store. The pop-up store was very successful. And based on that success we then moved into multiple pop-up stores for about a year and a half. Then we moved from there to retail."

The firm's channel structure grew in scope as time progressed; from only having an online presence, to having pop-up stores, multiple pop-up stores, and now brick-and-

mortar stores. Nonetheless, how the firm believes it provides value to customers deeply influenced how these changes in channel design occurred. As is currently the case, the stores do not carry any inventory, they include high-levels of service, and there are only single locations in major metropolitan cities. As the entrepreneur explains, each of these choices was made to ensure that the value proposition that the firm sells could be maintained as the business model grew in scope. Each of the strategic moves the company took to modify and expand their business model was done to strengthen and increase the value provided to their customers.

“I mean our whole business has been built around how men shop- or at least how we believe men shop. So, I do relatively speaking believe that men are logical shoppers and they think about price points and value; but I mean a big part of what we did was about convenience and about getting men in and out quickly and easily, not having to go to a store if you don’t want to, being able to get your entire outfit in one place so you don’t have to go to multiple places. So a lot of that stuff was inherent, that was because of us as guys and because of the research that we had done on men. So really the whole company was built around men as much as we could.”

This persistent focus on the customer and the value that he is purchasing is center stage; development, in part, takes its cue from the customer value proposition. Like the entrepreneurs from Firm A and E, entrepreneurs from firms D, F, and H also experienced a similar stage direction. As the businesses operated, information was accrued, this was in turn mediated by the objectives/ value propositions of the firms, and thereafter a change in the business model would or would not emerge. The perceived objectives and value proposition of the firm is but one of the factors that mediate how a business model develops. The other less surprising one, which is examined next, is the resources/ cost mediating factor.

For the firms interviewed it was the case that sometimes the entrepreneurs wanted to enlarge a component of their business model, but could not. They did not have the resources to do so as the costs were prohibitive. So they started their firms with a specific business model design. Then with time and with their guiding hands, the entrepreneurs would go on to develop the current iteration of their business models.

Today firm H sells men's apparel (outfits) through a personalized subscription delivery service. However, this was not always the case. When they started they were only selling individual items personalized to the customer's tastes through a subscription delivery. The reason for this was that at the time the entrepreneurs did not have access to the amount of capital that would allow for the service as it is currently designed. They did not have the resources to purchase the amount of inventory and personnel that would be required to send customers personalized outfits each month. They only had the resources to send out single personalized items. However, with time, as their business grew and the resources were acquired from organic growth and venture capital, the organization was able to articulate an enlarged value proposition- personalized outfits delivered each month. The development of the business model, the increase in product selection and thus value provided, was in part mediated by the resources the firm had at their disposal.

"(W)hen we first started this company, the first iteration of it was... it was one item a month, a specific price tag on it...the big reason for that was inventory management. Like when you're starting out so small, and you only just have founder's capital being put up there, it's their money that's really buying the piece of clothing. You ought to have a good idea of what exactly is coming in and out, and when something goes out that's a massive liability for you right, and so we really, really wanted to control that when we first started. As we grew, and as we had some cash in the bank, and raised a seed round then we could say "Alright we're going to get rid of the tiers", and basically just let it be whatever you [the customer] want. You tell us whatever items you want, your price point we'll work with it... the core value or the core whatever of why we started the company was really to bridge the gap between guys who have the

means to and the desire to get good, well-fitting and somewhat stylish clothes to them. That really, really hasn't changed,"

Another of firm H's key activities is partly mediated by the resources/ cost factor. In order to satisfy the value proposition as it is currently structured, the firm's costs must also be controlled. To control costs the firm performs certain key activities, warehousing in this case, which ensures that value is being appropriated to *both* customers and owners. When asking the firm how and why they have chosen to perform this key activity of warehousing, the following answer was provided.

"Sure well with the inventory you just wouldn't be able to keep up. There just wouldn't be inventory to do that, plus the margin wouldn't be the same. It would actually be much much worse... I'm pretty actually sure we would lose money on every transaction. So yeah it's a case for margin. And also sorry it's a matter of managing what you want. If we're doing just in time we are kind of at the whims of whatever is out there, whatever is available, and I think that's kind of ... Again, it ... it goes back to our value prop. And we just don't think that's consistent with what we're trying to do in providing the kind of high, high, high quality service.

As is noted above, the firm chose to perform the key activity of warehousing primarily for cost reasons (or margin maintenance); however, as is said, a circular consideration was also present. Without the particular cost structure that is afforded by a warehousing activity, the value proposition would not be able to be articulated- in theory the firm would struggle to exist. Most notable here though is the interplay between mediating factors. Often, as was the case with many of the firms interviewed, it was not just a single factor that implicated development decisions, but it was in the commingling between the factors that led to particular business model changes.

Nevertheless, sometimes a change in business model was more strictly done for resource/ cost reasons. Firm B exemplifies this course clearly. When they first began

operations a third-party designed product was being sent to subscribers. Yet, this was only the case because the economics dictated it so. The entrepreneur knew all along that he wanted his firm to design its own products, but before a certain amount of customers were subscribed that activity would not have been economical. Thus, it was not until they acquired a certain number of subscribers that a key activity of the business model changed from sourcing apparel to designing apparel.

"We had to order a minimum of 1,000 [products] at the beginning with the manufacturer before they'd even work with us, and we needed to, we did some modeling and we need to have X amount of subscribers. I think the number was like 143 subscribers to warrant making our own [products]. In the meantime, we will go ahead and find third party [product] companies that offer wholesaling, and so we're going to sell these [products] for \$[X] plus \$[Y] shipping, but with wholesale we can get the [products] for \$[W] or \$[Z], so we're still making a little bit of money, but we knew in the beginning this was temporary. We knew at some point if it succeeds, we're going to make our own [products]."

As indicated by the aforementioned data, the resources available and the cost considerations that a firm faces influence, if not impose, business model designs and thereafter developments. Just like any other strategic choice, a business model change is mediated by the resources and cost limitations of the firm. Hence, this is why the data tends to showcase that a resource/ cost mediating factor plays a crucial role in how an entrepreneur tends to develop his or her business model.

Lastly, the third mediating factor that is shown to play a role in how business models develop is the business model itself (business model mediated). The type of business model that the entrepreneur chooses or designs is linked to its very development. This factor is less obvious, yet still influential in how entrepreneurs go on to develop their business model designs. More specifically, what this factor is meant to embody is a situation where the type of business model employed by the entrepreneur (subscription,

boutique, franchise, etc.) in some capacity determines or guides the kind of development that later materializes.

An explanatory case comes from firm D. It operates a boutique business model, which fulfills a niche in a specific geographic area. When competition within the area was less developed or more complacent in action, firm D was able to broaden its set of activities, its product selection, and the type of services offered. However, with time and more importantly with the emergence of heightened competition, the actions of the firm have begun to revert to those more clearly in-line with a traditional boutique business model. The information generated by the actions of their new or burgeoning competition has been mediated by the business model factor. Instead of broadening their appeal, the firm has been concentrating more heavily in fulfilling the unique needs of their niche customers. Instead of performing certain activities and providing certain products, the competitive dynamics and business model chosen (boutique) have resulted in a development that has been outlined as such by the entrepreneur of firm D:

"I'm going back to being boutiquey and less mainstream, which is kind of how we became... we had rag and bone and we had all the big American, well known brands, they're doing that, so I am going more European. Brands that just would never sell to [competitor x]- so that I am going back to being boutiquey and not just a store. Where exclusivity on the lines I carry, we are bringing in this new Italian line that no one else in the city is going to have, no one in Canada has booked it. So that's how we're trying to counter [the competition] now... Boutique owners have to take a lot of risks I think; it's part of the game."

The entrepreneur from firm D has obtained new information in the form of competitive actions, and this information had to be meshed with the strategic and operational pursuits of the firm. It was the business model that was already being used by the firm, which mediated how this new information would impact the firm's subsequent

actions. And it was not just firm D that had such an experience, where their explicit business model would impact future development, but many of the other firms did as well.

For example, when firm B, C, G, or H increased their product selection, thus changing their business models, they did so according to the business model that they were already operating, which was some derivation of a subscription. Each firm introduced and sold new products through their present channel structures (online subscriptions). However, what is interesting about this is that when the firms would experiment with a change in their business model, which was out of line or different from the business model they were using, the outcomes were underwhelming (firm B), unsustainable (firm H), or yet to be determined (firm G). Success in development for these firms was more prevalent when it was leveraging the type of business model that was already in use. The business model mediating factor is shown to help explain how and possibly why certain business model changes happened as they did. It was the current business model design that tended to influence exactly how the entrepreneur would chose to change and develop a business model element.

So to bring back all of this information to the main research question here, how does business model development unfurl, it does so through mediation between acquired operational information and three factors. The firms interviewed here gained various sources of information through their operations and research; this was then mediated by the three factors (objective/ value, resources/ cost, business model); and finally a business model would change and develop. What is seen in the data is that sometimes there was a single factor that predominately intervened during business model development, but

sometimes there was the interplay of factors that suggested the shape of the development track. Occasionally a change in the business model was operationalized because it would dampen costs, but this then would also amplify the firms' value proposition; so to say it was one factor over another that solely moderates a change would be ill conceived. Rather as was usually the case, it was the entrepreneur acting as the arbitrator, trying to make compatible this incoming information with any one or multiple of the factors, which ended up bringing about a change in the firm's business model.

5.3: Research Question Three

III: How are business models influenced by a) ex-ante insights and b) ex-post operational-informed learning?

A large part of the answer to this question can be gleaned from the analysis and data aforementioned. Yet to put it simply, the firm's business model seems to be intimately circumscribed by both the ex-ante insights of the entrepreneur and by the information that he or she accumulates and learns from while operating. For the firms interviewed, the role of insights and learning played two different but sequential roles when it came to how each influenced the business models' designs. A closer examination follows.

The impact of both phenomena (insights and learning) is temporally identifiable. Ex-ante insights are found to be profoundly influential on how the original business model is designed. And ex-post operation-informed learning is found to be essential for the subsequent development of the business model. The influence of ex-ante insights on business models will be examined first.

Earlier it was seen that the entrepreneur's business concept underwrites how the firm's original business model will be designed. It was this concept that the entrepreneur hooked, which led to the original business model. Similarly stated, it was the insight that took place prior to operating, which designed the firm's initial business model. It was an ex-ante insight that designed the business model for each of the firm's interviewed. For example, firm B and C saw that a subscription business model was not yet present within a niche in men's retail, so their insight was to bring one therein. Therefore, it can be said that it was an ex-ante insight into a potential commercial opportunity that in essence led to the formation of the firm's initial business model.

The same can be said of firm's A, E or F, each developed an insight about the men's retail market that fermented into a business concept, and then an initial business model. What was present in the data over and over again is the impact of an ex-ante insight. It is what ultimately impregnated the entrepreneur with the inspiration and guidance for how he or she would design their original business models. Nevertheless, the influence of this insight gets quickly pushed to the wayside when the doors are opened. When the firm starts operating, a business model is in place and now it is the information generated that influences the evolving structure of the business model.

Research question two highlights much about how ex-post operational learning influences business models. In particular, it is this information mediated by three factors that leads to a business model change. Therefore, it is important to highlight the effect that information accrual and learning has on the business model, as it controls development- something evident above. How the entrepreneur takes the information

generated from operating and uses this deeply implicates the business model's evolving design.

Examples abound with the firms interviewed. An example from firm F, they at first were solely an offline retailer, but with time and with the information gained and learned from, they realized that an online channel within their business model would prove advantageous. It was this ex-post realization that brought about an evolution in the firm's business model. It was not an ex-ante insight that created an online element for the firm. A similar phenomenon was exposed during the interview with firm G. They noticed that an enlarged channel structure would not disembody their value proposition, but would contribute to it. Again this was an acknowledgement and strategy that was formed by ex-post operational learning. The evolving design of the firm's business model was largely a result of an entrepreneurial exercise in information gathering and learning.

So, how is a business model influenced by these two phenomena? Ex-ante insights are what lead to a business concept, and this is what underwrites the initial business model design. Therefore, it can be said that it is an ex-ante insight that fundamentally contributes to the design of the business model. It is the entrepreneur's insight that draws the blueprint for the business model. Whereas the succeeding phenomenon, ex-post operational learning influences the business model because it is the process through which entrepreneurs change and development their business models. The evolving design of the business model is set-off by the operational learning that takes place within the firm. Sequentially, it is ex-ante insights and then ex-post operational learning that helps to design the firm's original business model and then direct the development of the firm's business model thereafter.

Chapter 6: Discussion

This penultimate chapter will speak to how entrepreneurs or strategists can use the research produced in this thesis, and how it can be understood in conjunction with the existing knowledge about entrepreneurship, strategy, and business models.

This research, the questions posed and the answers revealed, are to be seen as new knowledge that is built to spotlight the processes that entrepreneurs go through whilst designing and then developing their business models. Business model design and development are to be thought of as two distinct practices. The design takes place first and then the development. The former, business model design is articulated by the entrepreneur and deals largely with him or her creating a business concept. The latter, business model development is often a result of strategic actions by the entrepreneur. He or she develops his or her business model for strategic purposes.

Nevertheless, the level of modification on the original business model, which takes place during the development, was largely contingent upon time and the level of competition- itself a phenomenon that builds with time. The firms that were around a longer time had seen their business models change more. The compounding effect of change over a longer period of time resulted in a currently exhibited business model that may, from a certain point of view, look more dissimilar to its original predecessor than similar. This metamorphosis though was gradual. There were not scenarios where business models developed drastically overnight from original to today's iteration. For these eight cases, their develops were measured. Changes were strategically induced and followed as to build onto the model that was already in place. Therefore, it tended to be evident that though a business model may look drastically different from its original

predecessor, it was nonetheless the progressive changes that compounded over time, which were a result of operational experiences, that culminated in the business model that is on display today.

To first comment on design, the reason that the business concept is so paramount is because as we saw it ordains business model design. How the entrepreneur perceives of the business concept more or less leads to how he or she goes about designing their firm's initial business model. This has useful applications for the budding entrepreneur. If the soon to be entrepreneur has just experienced some sort of pain while functioning in a certain marketplace and does not know of any solution that yet exists for it, he or she can perceive this as a nascent opportunity. This is arguably one of the most difficult parts of entrepreneurship, recognizing an opportunity. In this case it is the existence of a pain and the lack of a practical solution, which spotlights the opportunity. If this individual then desires to be an entrepreneur, they can go about designing a business model that capitalizes on providing a solution to this problem. How entrepreneurs have done this is detailed above.

This research shows how firms, which have continued to be unique within the men's retail market and have survived up to this point, followed a particular process in designing their business models. With this type of information now available, the budding entrepreneur can utilize the mapping of this process, the 'Alleviate Pain' path, as a guide for his or her own business model's design. He or she can leverage the opportunity they have just spotted to build a unique business model that exploits this exposed reality. The budding entrepreneur can build a business model to service this pain

through implementing a process that is similar to the one that was used by the entrepreneurs interviewed here.

Similarly, a guide too now exists if a budding entrepreneur notices that a fascinating and profitable type of business model exists in one marketplace, but it is not yet in another. The ‘Adopt & Modify’ path as followed by a handful of the entrepreneurs interviewed has proven successful for them, and this is also a truism in the marketplace almost continually. The adoption and implementation of a business model type into a market in which it currently does not exist. Examples abound: Netflix or Hulu, Spotify or Tidal, Dollar Shave Club or Birchbox, each provides a picturesque example for how an entrepreneur can follow the ‘Adopt & Modify’ path in designing his or her business model. That is to take a business model that is thriving in another market (subscriptions here), introduce it into another, and the results could be positive- as they have been for many of today's biggest market hits.

Both of the paths that these eight entrepreneurs have followed provide to the budding entrepreneur possible maps or guides. If the nascent entrepreneur stumbles upon an unalleviated pain-point or notices that a particular type of business model is successful in one market and could be re-appropriated for another, the processes through which they can capitalize on these insights are herein drawn. And it starts with designing a business model. As a business model turns an insight into a business reality.

Of course, these two paths are not mutually exclusive. Nor are they inclusive of all possible business model design realities. However, they provide to any interested party tools and design options. Options on how they might possibly want to go about designing their future business models.

Following the design of the business model, the fun truly begins. The entrepreneur now must ensure that the business survives, and part of doing this involves adapting to market realities. Design took place prior to operating, development takes place concurrent to operating. Business models develop, change, and morph as time creeps along. Business models are seldom stagnant, but evolve with time, evolve to keep abreast of changing economic realities and opportunities. Such is why understanding how entrepreneurs have gone about developing and changing aspects of their business models is crucial. Comprehending how entrepreneurs have gone about developing their business models without financially imploding, but rather as is the case for these eight firms continuing to operate successfully, is merited. A budding entrepreneur now has a context under which to understand the strategic nature of business model developments. Accepting that there is this deluge of information that accrues while operating, and that three factors mediate how business models change, these can make the process of strategizing more refined and hopefully thereafter more precise and effective.

History repeats itself and yet we often ignore it in planning for the future. Instead, the analysis that was generated herein on the process of business model development attempts to hurdle this strategic ignorance. A budding entrepreneur ought to take the experiences of successful entrepreneurs, learn from them, and mimic them when most applicable. Part of this research is largely an attempt to demystify the strategic actions of entrepreneurs and their efforts at business model development. With these actions now exposed and ascribed, the hope is that they make strategizing more efficient and therefore less likely to handicap entrepreneurs as they develop their business models.

The second objective of this research, after assisting the budding entrepreneur, is to contribute to the academic literature and the disagreements therein. As is noted above, the current description of entrepreneurship by Shane and Venkataraman (2000) sees it to consist of two phenomena. The first involves the entrepreneur recognizing and valuing an opportunity and the second includes choosing how to best capitalize on this opportunity. As they suggest, this process (entrepreneurship) is highly idiosyncratic. What the entrepreneur sees the opportunity to be and what he or she believes is the best way to take advantage of it is remarkably subjective.

These notions are buttressed by the data analysis above. Each of the eight entrepreneurial stories displayed a high level of uniqueness. It was largely the subjective and idiosyncratic perceptions and beliefs of the entrepreneurs that shaped the design and development of their business models. Recognizing and valuing an opportunity was shown to be contingent upon the past experiences and knowledge of the entrepreneur. An entrepreneur had to have seen that a problem exists and that particular solutions are workable before they were able to spot and chase an opportunity. The entrepreneurs who noticed that suit shopping was archaically performed and that Asia and the web provide a partial remedy for this are prime examples. They each felt a pain and were cognizant about possible solutions. As was said earlier, opportunities tend to be ‘subjectively perceived, but objectively present’ (Shane and Venkataraman, 2000; Venkataraman, 1997), and the data seems to support this.

Likewise, the analysis tends to support the view of entrepreneurship as offered by Schumpeter (1934). Many of the entrepreneurs, especially those that followed the ‘Alleviate Pain’ path, acted as Schumpeter would expect; they created value through a

new combination of already existing elements. That is the entrepreneurs took already existing business model elements and devised new combinations of these elements to straighten out the needs they believed to be underserved. It is from initiating a new combination of already existing business model elements that may lead the reader to interpret the business models of these eight firms as unique in their designs.

Also, Schumpeterian entrepreneurship actually reads a lot like an act in novel design. Entrepreneurs take existing elements, business model elements, and combine them into unique combinations to create a new type of business model. Design involves conceiving of any kind of structure. And entrepreneurial design consists of conceiving of a structure for the business model. Therefore, this idea of Schumpeterian entrepreneurship can just as aptly be ascribed to the design of a novel business model. Thus, it may be insightful to see the entrepreneurial stories presented above through the lens of Schumpeterian entrepreneurship and thereafter as exhibitions on design novelty.

Finally one last note on business model design, as Ardichvili et al. (2003) reveal, before an opportunity can be exploited a business model must be designed. This was seen with the cases examined. The entrepreneurs each created a business model before they opened their doors. As was evident, to commercialize an opportunity a business model must be in operation and it is the initial design that orchestrates how the firm's operations are conducted. To be able to exploit an opportunity is to first be able to design a business model that facilitates this exploitation.

Interestingly, the processes of business model design and business model development fall in line with the acts of entrepreneurship and strategy as defined above. Entrepreneurship involves discovering, evaluating, and exploiting an opportunity. All

three are steps that transpire and culminate in the design of the firm's initial business model. And thereafter, the actions involved in developing a business model are largely strategic in orientation, as they are no longer done to create a new entity but are done to sustain and/or grow the entity. Entrepreneurs design and strategists develop.

Porter (1996) acknowledges strategy in a similar vein to Schumpeterian entrepreneurship, in that differentiation of activities is the epitome of newness. However, Porter starts with the firm as a given and then posits strategy to be the set of actions that leverage the firm's set of activities to ensure differentiation. This is a reality exposed by the firms interviewed. For example, firm G develops its business model in such a way as to maintain differentiation in offerings from that of its most direct competitors. When competitors ventured west, firm G ventured east. Strategy for firm G's entrepreneur is what Porter (1996) champions, the pursuit of a differentiated activity system; or otherwise known as the business model.

Nevertheless, how strategy formation unfolds is a much more nuanced phenomenon. And the strategy employed to develop a business model is shown to be no different. Most notable here is the notion of strategy as described by Mintzberg and Waters (1985: 257). They acknowledge that rather than the formulaic and planned execution of plans, strategy is a "pattern in a stream of decisions" and that the process of strategy formation unfolds gradually. Such a phenomenon is present when it came to how the eight entrepreneurs developed their business models. Their strategies were rarely ex-ante, but were rather emergent. They emerged from the entrepreneur acting as an arbitrator between the information that his firm was accruing and the three mediating factors. The entrepreneur's ruling interpretation on this mediation would result in a

business model development. Strategy herein was shown to unfold gradually; strategic business model development choices unfolded gradually and were as Mintzberg notes, both deliberate and emergent.

In fact, the character of these firms' entrepreneurial strategies took on the form of their very namesake. 'Entrepreneurial strategies' as the Mintzberg and Water (1985) note are built around the entrepreneur's vision of the organization. Such an experience was more or less exactly what took place when the entrepreneurs were strategizing on how to develop their business models. Choices were articulated and chosen in accordance with how they viewed their organizations, and with what they believed their missions and value propositions to be. Strategic decisions made about the business models' developments tended to converge and form a cogent strategy as Mintzberg proselytizes. However, such a realization seems to be present only after the fact. As Mintzberg also states, this plot is only legible after the fact, when choices are already made and could be examined in retrospect; then it can be looked upon as though these strategic choices converged along an 'entrepreneurial strategy' track.

Therefore, what the answer to the second research question provides is some context under which to read how strategy is completed from a Mintzbergian perspective. Considering that it is rather uncomfortable to operate in an intellectually barren space, where one must believe that strategy simply emerges and hope that it too emerges in such a way that safeguards a profitable survival, this question and answer espouses how to fill-in this space. From the experiences of these eight firms, the analysis shows that strategies emerge as a result of three things: operational information being accrued, three mediating factors, and the entrepreneurial strategist acting as arbitrator during this mediation.

Emergent strategies for the development of business models were shown to emerge from mediation between the information generated during operations and three factors.

Similarly, the idea that the business models develop according to the coalescing vision of the entrepreneur is also supported by research from Perkmann and Spicer (2010). They propagate a business model development track that sees business models as ‘recipes that instruct.’ The business model as envisioned by the entrepreneur instructs how to cook up development. The eight entrepreneurs experienced such a reality. It just turned out that the recipe that instructs is referred to herein with more detail as development’s mediating factors. Seen above, the development choices made by the entrepreneur were instructed by the firm’s objectives, values, resources, costs, and business model, each analogous to an ingredient in a recipe. Therefore, it is not altogether surprising that the analysis uncovered mediating factors that contributed to development choices. The mediating factors are the recipe for how to cook up business model developments.

The notions of business model design and development as described herein are reminiscent of the exploration and exploitation concepts in organizational learning. As March (1991: 71) describes, exploration involves “such things as search, variation, risk taking, experimentation, play, flexibility, discovery, [and] innovation.” Whereas, exploitation is noted to include “such things as refinement, choice, production, efficiency, selection, implementation, [and] execution.” The reason for this call to mind is that during the inception of the business concept and the design of the business model it was shown that the entrepreneur explores, and during development the entrepreneur exploits.

While the entrepreneurs were forming their business concepts and conceiving of their business models, they were in theory embarking on an explorative track that involved ‘searching, discovering, and innovating’ on the industry’s normative business model. Whereas, when the entrepreneurs were developing their business models they almost exclusively concentrated on exploitative actions, ‘refining, improving, and executing’ the business model that was already designed. Though the entire development track did not solely consist of exploitative actions, they constituted the largest part of strategic pursuits. And as was mentioned above, when explorative motions were pursued during development, they often turned out negative or their merits were still being valued- a feedback scenario March (1991) expects. This research is not currently positioned to answer all of the questions or establish all of the theoretical underpinnings required to be considered a complete response to organizational exploration and exploitation; however, it is intriguing that business model designs were seen to be primarily an explorative phenomenon and development an exploitative one.

It is argued above that much of the business model innovation literature presents the activity of achieving innovativeness in a rather peculiar way. It denotes business model innovation to be the simple result of changing a certain transactional element (Amit and Zott, 2001; Sorescu et al. 2011) or inputting an alternative component into a business model (Johnson, Christensen, and Kagermann, 2008; Comes and Berniker, 2008; Yip, 2004; Demil and Lecocq, 2010; Gilbert et al., 2003; Moore and Birtwistle, 2004). Both types of changes will result in a novel business model. However, the confounding part of this narrative, that innovation comes from a type of change, is that

one immediately wonders how do you come to the realization that such a change is available, it is possible, or even that such a change is warranted?

The goal as stated above ought to be to understand how to operationalize such a change or innovation. Because reading the case studies about how a certain firm is innovative because it changed in this manner or that is not always helpful. This change is already completed and the firm that one is reading about has most likely already profited from it, thus taking away their ability to. Therefore, the more interesting read would come from the discovery of the processes on how the individual made this change. So that one might be able to implement this process at some point in an area where opportunities persist.

The uncovering of these processes is what the research questions and responses strive to establish; the ways in which a budding entrepreneur can go about constructing a business model that is unique in a manner already supported by the literature. In the data it is evident that unique business models tend to be designed from venturing down two paths, 'Alleviate Pain' or 'Adopt & Modify.' And their novelty continues to be maintained and developed from the entrepreneur acting as an arbitrator between accrued information and three mediating factors. With this knowledge now accessible, the expectation is that not only do we know what makes a business model unique or innovative, differences in elements or components, but now how to potentially make and sustain a unique business model.

Again, the processes followed by these entrepreneurs are *not* meant to represent an exhaustive list for how entrepreneurs can design and development their business models; instead, the findings are simply presented as examples for how a subset of

companies within one particular industry (men's retail) have gone about designing and developing their organizations' business models. While lessons can most definitely be drawn from the experiences that were exposed through this research, this research is not being showcased to be the 'all and only' methods for business model design and development. Generalizations are not the goal, but transferability of the entrepreneurial business model design and development processes and practices is a goal.

Also, the intention of this research was not to endorse a new way to measure or classify innovativeness. Rather, the nomenclature of business model innovation is used to describe a unique business model under existing definitional paradigms, which can be found above. However, a special mention of the OECD definition and how it is understood to apply to this research is warranted. The type of innovation that these eight firms have practiced constitutes certain types of innovation, types that are covered by the OECD. The first, which these eight firms are not, is an innovation that is new to the world. Each of the elements the firms applied into a new business model was already on display somewhere else, in another industry or market. The second is an innovation that is new to an industry. Here is where the argument could be made that these firms' business models were innovative as they were different and previously not existent in the industry (men's retail). And the third type of innovation proposed by the OECD involves innovation that is new to the firm. For each of these eight firms the business model they initiated was new to their firms; therefore, under this narrow definition of innovation their business model would be considered as such. Nevertheless, to stress, this research is not attempting to classify business models, it is only highlighting how certain business model

design and development processes and practices lead to business models that could be viewed as innovative using two of the definitions as prescribed by the OECD.

Lastly is the contribution to the disagreement in the literature between the merits of ex-ante insights and ex-post learning on the development of a business model. The former camp believes that it is the insights that are arrived at that cements whether or not a business model is innovative. The latter camp supports the idea that innovativeness is arrived at whilst the firm operates. Nevertheless, what seems to be the case is that they are both right, but they are just arguing about two different things. Both camps seem to be missing or are vague on their distinctions between business model design and business model development. The absence and/or unawareness of such a difference clouds the arguments brought forth by both sides.

This separation of design and development, which is apparent in the analysis above, impacts how to gauge the relative values of both insights and learning for business model innovativeness. As the evidence exemplifies, both ex-ante insights and ex-post operational-learning are important, but just at different times in the firm's life. Insights are crucial when the entrepreneur is crafting his or her business concept, as these underwrite the firm's initial business model. Whereas, operational learning is crucial when the entrepreneur-turned-strategist must take the information he or she now has, learn from it, leverage it against his or her prevailing business model, and develop accordingly. The eight entrepreneurs endorsed this separation of activities and their temporally mediated relative merits. Ex-ante insights are prone to be more important during the business model design process. Ex-post operational learning is prone to be more pivotal during the business model development process. Yet, as is mentioned

above, the firm's ability to learn may prove paramount because of the compounding effects of change. Even still, neither camp is necessarily wrong; they are just arguing about two different phenomena. As was foreshadowed by Teece (2010), both insights and learning are consequential for business model innovativeness.

Chapter 7: Conclusion

This final chapter reviews the objectives of this study, as well as the research questions and answers to them. It also lays out some limitations to the study and an array of possible avenues for future research on business model innovation.

The goal of this thesis was to examine the processes undertaken by start-up entrepreneurs as they designed and developed their business models. Our intent was to choose firms that are particularly unique in their currently exhibited business models. Then examine the kind of the design and development processes that the founding entrepreneurs followed, which enabled them to create novel business models. Following, the primary goal was to ascertain the kind of design and development processes that lead to an innovative business model. The rationale for why such research is needed is substantiated by an abundance of existing research, as is outlined above. And the mechanisms that were herein used to arrive at such answers were inspired by many of the questions and postulations already brought forth by leading scholars in both entrepreneurship and strategy.

To ascertain these answers, three questions were posed to guide this research forward. The first involved understanding how the entrepreneurial opportunity inspires the business model's design. Such a link needed exposition because scholars believed that exposing it could uncover some of the ways in which a business model became innovative. And in understanding how something became, others can become. It turned out this supposition was rather prescient. From the analysis it was shown that opportunity assessment implicates how a business model is designed. Therein, it was shown that the opportunity actually dovetails a business model and its innovativeness. That is the

opportunity, or business concept, dictates how the entrepreneur goes about designing their initial business model, and this can explain how a business model became innovative- it latched onto certain key insights.

The second question involved trying to approach a ‘process view’ of business model innovation. This meant showcasing how entrepreneurs took their original business models, which were on display when they first started, and turned them into the innovative ones that are in operation today. By documenting the processes that entrepreneurs took in developing their innovative business models, we were able to fashion a framework that presents a new perspective on how business models become innovative.

Finally, a requisition that would contribute to an internal disagreement within the business model innovation literature was put forth. This involved isolating whether ex-ante insights or ex-post operational informed learning incubated an innovative business model. What was realized is that in fact researchers on both sides of the aisle are right, but are arguing about two different phenomena. Ex-ante insights are key for designing the initial iteration of an innovative business model. Ex-post operational-informed learning is pivotal for developing and/or maintaining the innovativeness of the business model. Both sides of the argument are right, but just at different times in the business model’s life cycle.

Nevertheless, as is the case with any research project this one is too limited in its ability to comprehensively and reliably answer these questions. One such obvious limitation is the sample size. However, with the focus on a single industry and with the use of in-depth interviews of entrepreneurial leaders, the hope is that some of the

downsides of having a smaller sample size are mitigated by these strategic methodological choices. As a single industry focus allows for a more robust presentation of context and in-depth interviews with leaders of relatively young and still innovative companies help ensure that the evidence procured still temporally supports the phenomena exposed. Secondly, the tacit subjectivity of the researcher may bias the research in a variety of unintentional ways. Nonetheless, an attempt to alleviate the infiltration of this subjectivity was initiated through the use of a well-defined research design strategy.

Similarly, this research is limited by the fact that only one subset of one industry was studied. This being the case, the findings are less generalizable and/or transferable both because of the purposefully more narrow focus and the fact that they did not originate from a quantitative project. Yet, the transferability of this research could still richly and rightly be applied by entrepreneurs in markets that are also consumer facing. Inversely, because of the tight focus on the customer that takes place within retail, such processes might not be as applicable in other types of industries with countervailing design and development considerations.

Overall, the aspiration for this research is that it can inspire future research on a very important topic. Further inquiries into the antecedents of and processes involved in innovating business models are still needed. An immediate project could utilize the methodology and strategies employed in this research and enlarge the sample size to isolate the design and development processes that lead to business model innovations. Likewise, a similar research project could be undertaken in other industries to see if a similar set of design and development processes lead to innovative business model across

industries or not. In sum, quality research on how business model innovations are created is valuable, especially when business model innovations continue disrupt industries at every turn.

Entrepreneurial Practicum (Business Model Designing)

You want to be an Entrepreneur...But where to start?

**Consider
A Path...**



**'Alleviate
Pain'**

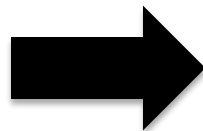
**'Adopt &
Modify'**

- Soon-to-be Entrepreneur experiences some pain-point
- Doesn't see an available solution
- Envisions one to create so to 'alleviate the pain'
- Intriguing business model that is successful in other market or industry
- Business model type doesn't exist in different market or industry
- Re-appropriate business model into another market

Did You Discover An Opportunity?

If so...

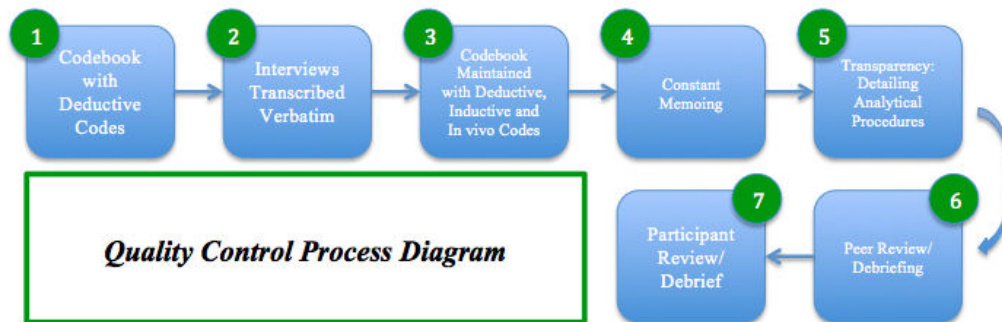
Follow a well-trekked path towards crafting your business model!



***Follow
Figure 2's
Process***

***Appropriate
Business
Model***

Appendix B



Appendix C

Development's Mediating Factors

Objective (goal) Mediated	The goals or objectives the entrepreneur envisioned for his business dictated a business model element design
Resources/ Cost Mediated	A business model element was designed to ensure cost structures are minimized; Given particular resources at the entrepreneur's disposal he/she is able to (or believes to be able) perform certain actions or strategies and business model element designs because of key resources
Business Model Mediated	Given the business model that is being employed by the entrepreneur this in turn dictates the type of activities and business model elements that he/she designs and articulates

Appendix D

□

Appendix E (Codebook)

Figure 1

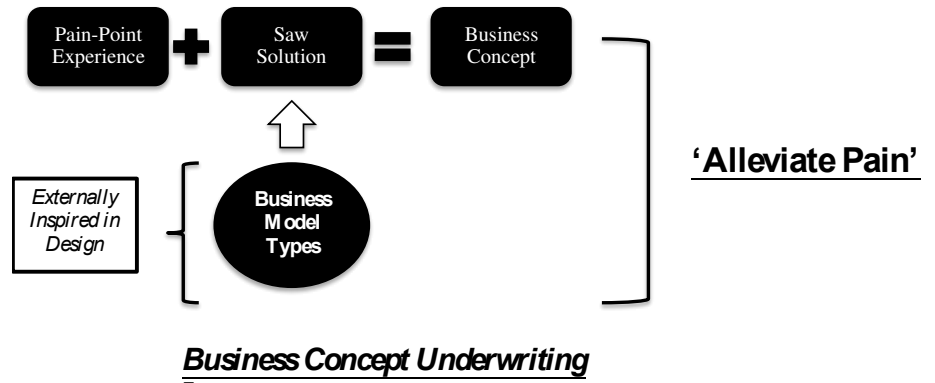


Figure 2

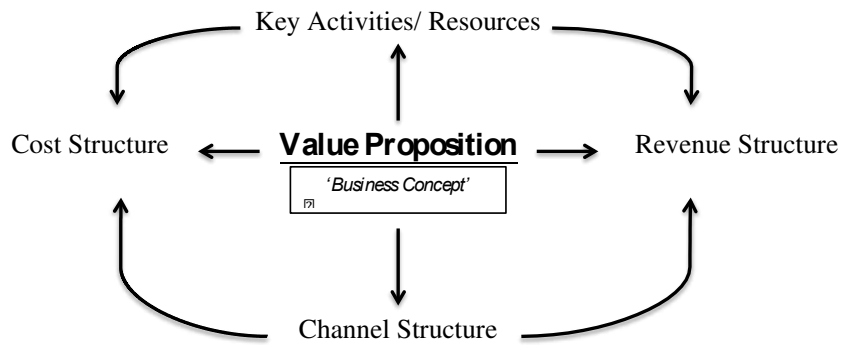
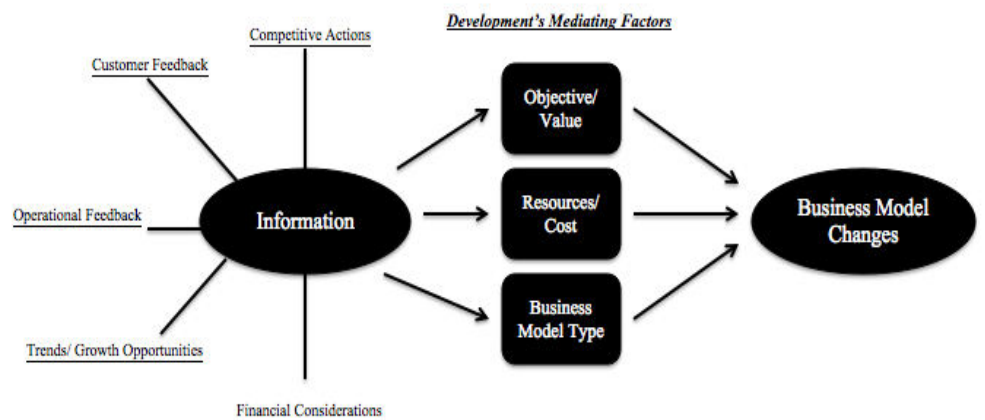


Figure 3



Figure 4



Focused Codes	Inductive/ Deductive	Description
Academic Concept Mediated	Deductive	The business model was designed using an explicit concept, which helped elucidate opportunities and possible design alternatives
Attaining BM Cohesiveness	Inductive	The importance of designing a business model that clearly articulates the elements of its business model in such a way that well is substantiated in its support for each of the elements. The whole makes sense given the individual elements
Bridge the Gap	In vivo (deductive)	The entrepreneur in part started the business to bridge a gap between pain point and their identified solution
Business Model Mediated	Inductive	Given the business model that is being employed by the entrepreneur this in turn dictates the type of activities and business model elements that he/she designs and articulates
Business Model Types	Deductive	There are explicit types of business models that entrepreneurs recognize and then take to employ or apply to a new market, industry, or niche
Business Model Use	Deductive	The entrepreneurs use the idea of the firm as a business model in helping to articulate their firm's role and their firm's similarities and differences with others in the industry
Channel Choice (Structure)	Deductive	A particular delivery method for the product
Choosing 'Not to'	Deductive	Purposeful choices on what not include in the design of business model elements
Competition Adjacent	Inductive	Firm sees themselves as distinct from the competition and therefore not directly influenced by the strategic moves of their- externally believed to be-competition. Believe that they are chartering the waters for others after them, they are making the rules of the game.
Competition Mediated	Inductive	A business model element was designed to create and maintain points of differentiation from competitors (as seen by the entrepreneur) in the industry
Competitor Analysis	Deductive	Take note and acknowledge the actions of the competitors and analyze how this may/may not impact the functioning of your own business
Core BM Element	Inductive	A business model element that was designed during the firm's inception and it has only been worked towards maintaining and amplifying it
Cost Mediated	Inductive	A business model element was designed to ensure that value is maintained through the depression of costs
Cost Structure	Deductive	Any element that when examined leads to costs accrued to offer product/service
Customer Centricity in Design	Inductive	The business model was designed from the perspective of the customer. What bm elements would service the needs of the customer in the best way possible given the data about the customer, the financial and social constraints of the entrepreneur, and the objectives of the entrepreneurs.
Customer Fanning (Crossing the Chasm)	Inductive/Deductive	Notion that a business model is initially designed to satisfy/ rectify the needs/pains of a particular type of customer and then with the time the business model develops and attracts a large swath of customers (demos)

Appendix E (Codebook)

Customer Feedback	Deductive	Feedback accrued through operations, particularly from customers, which inform design and development decisions of business model elements
Customer Mediated	Inductive	A business model element was designed/ developed to take advantage of an opportunity that was consistently called for by customers
Customer Relationships	Deductive	How are customers treated, interacted with, and involved in the purchasing of a product or service
Customer Segments	Deductive	The demographics of the company's main customer groups
Data Mediated	Inductive	A business model element was designed/ developed to take advantage of an opportunity that collected operational data exposed
Designed to Solve	Inductive	Business model elements were purposefully designed to solve the needs and pain-points of customers as understood by the entrepreneurs
Developed into Elements	Inductive	From deciding on how to design a particular business model element to solve a customer pain/need a business model element develops, which then facilitates this attempt to solve
Developing for Refinement	Inductive	The business model was designed purposefully and ex-ante (in large part) and its development is funneled in a way that is meant to refine those initial design concepts
Entrepreneurial Trait Mediated	Deductive	A particular trait as mentioned by the entrepreneur that may have dictated any sought of business model design decision
Evolving Design (experimentally oriented)	Inductive	A business model element was not designed as it currently is from the beginning, but gradually grew in design as time progressed- Evolving design is the development of a business model, which is the natural phenomenon that happens with time
External Inspiration	Deductive	The entrepreneur gets inspiration or takes cues from other similar firms operating within the same industry or from outside entities (social media)
Externally Inspired in Design	Inductive	Business model elements were inspired from the business models as operated by other companies
Firm Financing	Deductive	How was the firm financially structured in the beginning
First-mover advantage	Deductive	First business in a particular industry to enter the space, whether that is with a new channel, new geography, or new a combination of business model elements for a particular industry
Forced into Purchase	Inductive	Given the lack of options arising from the constraints of the customer and market alternatives, he or she is forced to purchase a product that does not fully fulfill their points of desired value
Founder as Central Customer	Inductive	The founder having experienced a particular shopping pain point was able to utilize his own perspective and knowledge about the pain and a possible solution to design a business model that was particularly attune to the needs of a customer facing a similar experience (intimate knowledge of the problem).

Appendix E (Codebook)

Gender Specificity Mediated	Inductive	Understanding the dynamics of how the gender that is shopping for a product/service impacting how the entrepreneur goes about designing business model elements
Helpful/Hurtfulness of BM Concept	Inductive	Speculative belief that using the BM concept would have helped or hurt the business' development
Industry Experience	Inductive	Entrepreneur had experience in the industry that he/she entered
Intuitive to Data Driven	Inductive	Understanding the customer's wants/needs was first very intuitive, now largely supplemented by data gained from operations
Key Activities	Deductive	What the company offers to the customer that in turn creates value for them (different from the actual value that is purchased by the customer, but definitely adjacent to)
Key Resources	Deductive	Certain assets that the firm has which are crucial for satisfying the value proposition offered to the customer while being able appropriate some profit to survive.
Location Mediated	Inductive	Where the entrepreneur incorporated the business dictated a business model element design. Location can also include online versus offline and how this location implicates design choices.
Maintaining Customer Centricity	Inductive	As competition flourished and as the business grew the customer remained front and center in deciding on how to develop the business model; the constraints of the current business model or organizational parameters did not dictate growth decisions, customer's wants did
Negative Deviation	Inductive	As the organization tired to capture growth and experiemented with offering that were outside their core value proposition they tended to suffer negative consequences from doing so and a push back from customers
Niche Business Model	Deductive	Entrepreneurs recognized a hole left in the market and developed a business model to fill this niche whole
No blatant use of BM Concept	Inductive	Entrepreneur did not explicitly understand or describe the business as a business model from inception
Objective (goal) Mediated	Inductive	The goals or objectives the entrepreneur envisioned for his business dictated a business model element design
Operational Feedback	Deductive	Feedback accrued through operations that inform design and development decisions of bm elements
Opportunity Recognized	Inductive	Entrepreneur recognized that an opportunity was nascent in a particular product that was coming into popularity (trend)
Opportunity Searching	Deductive	Prior to the founding of the entrepreneur's current firm, the entrepreneur was actively searching for an opportunity laid dormant and a business to capitalize on said opportunity
Opportunity Valuation	Deductive	The entrepreneurs went through some sought of process to gauge the value of an offering that accompanied their business concept

Appendix E (Codebook)

Organizational Complexity, Customer Value Dichotomy	Inductive	The dichotomy between deciding on how to design a business model; minimize organizational complexity with the business model already running or pursue additional customer value through more robust (complex) business model
Pain-Point + Knowledge of Solution= Business Concept	Inductive	Combining the painful experience and the identified solution to that pain come together to enlighten the entrepreneur to a potential business concept
Pain-Point Experience	Inductive	The entrepreneur personally experienced a pain in the shopping for a particular product, which in turn exemplified to them that a potential opportunity existed to remedy that shopping experience
Points of Differentiation (Uniqueness in Competition)	Deductive	Where and/or how is the business model employed by the company different from those in the same industry
Resource Mediated	Deductive	Given particular resources at the entrepreneur's disposal he is able to (or believes himself able to) to perform certain actions or pursue strategies and business model element designs because of key resources
Revenue Structure (Pricing Structure)	Deductive	How prices are arrived at/decided and how then revenues are calculated
Saw Solution	Inductive	Entrepreneur saw that a solution to a particular shopping experience existed and could be applicable to solve the pain point as identified therein
Scale Mediated	Inductive	The scale and possibilities that the entrepreneur sought for his business dictated a business model element design
Solidification of the Niche	Inductive	With increased competition niche players are being forced back into their original roles, or into performing fewer functions, but performing them superior to anyone else given their unique spot they find themselves in. Competition is forcing niche players to focus on their niches, deepen their focuses not widen them.
Stable in The Core	Inductive	The core of the business, the value proposition mainly, but could be a myriad of elements, which have not changed from the inception of the organization until now
Starting with Business Model	Deductive	Started the business with some sought externally recognized business model elements. The bm could be a wholesale reintroduction into a new industry or simply the incorporation of a single element into a new business model
Trend Spotting and Building	Inductive	A part of what makes the bm unique or innovative is that it is riding and helping build a wave of how business operate and ultimately design their business models to satisfy the temporally induced desires of the customer
Unexpected Virtue of Ignorance	Inductive	Notion that had the entrepreneur researched the minutiae of their choices in too much detail they would have been dissuaded from pursuing certain decisions and business model elements. Instead, they benefited from ignorance to the facts and pursued their objectives nonetheless
Value Mediated (Role)	Inductive	A business model element was designed to ensure that a particular piece of customer value was delivered and maintained. Or a particular element was chosen to create value for the firm. Also the role of the bm chosen creates value, so how does this role implicate design/ strategic choices
Value Proposition	Deductive	What is the value that the customer is purchasing when they buy this product/service (why are customers selecting his alternative)
Venture Capital Impact	Deductive	How having venture capital implicated the growth process for the firm (that is choices of element design or strategic choices of any kind)

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